

**VERMILION LOCAL  
SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2021**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Vermilion Local School District  
1250 Sanford Street  
Vermilion, Ohio 44089

We have reviewed the *Independent Auditor's Report* of the Vermilion Local School District, Erie County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 03, 2022

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**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 SINGLE AUDIT REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**JAMES G. ZUPKA, C.P.A., INC.**

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Board of Education  
Vermilion Local School District  
Vermilion, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion Local School District, Erie 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion Local School District as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the basic financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As discussed in Note 20 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. As discussed in Note 21 to the basic financial statements, the school foundation aid received from the State of Ohio will be funded through the direct funding model. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 22, 2021

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**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)**

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The management's discussion and analysis of the Vermilion Local District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- In total, net position of governmental activities increased \$1,496,389 which represents a 32.35 percent increase from 2020.
- General revenues accounted for \$22,836,396 in revenue, or 80.93 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,381,772, or 19.07 percent of total revenues of \$28,218,168.
- The District had \$26,721,779 in expenses related to governmental activities; \$5,381,772 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$22,836,396 did cover the remaining expenses of these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$41,737,927 in revenues and other financing sources and \$40,200,133 in expenditures and other financing uses. During fiscal year 2021, the General Fund's fund balance increased \$1,537,794 from \$15,667,542 to \$17,205,684.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund and, therefore is the only governmental fund reported as a major fund.

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

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**Reporting the District as a Whole**

*Statement of Net Position and Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services including operation and maintenance of plant and pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

*Governmental Funds*

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

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
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***Reporting the District's Fiduciary Responsibilities***

The District controls assets that are for the benefit of organizations or other governments that are not a part of Vermilion Local School District. These activities are reported in custodial funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

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**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (UNAUDITED)**

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position as of 2021 and 2020.

**Table 1- Net Position**

	Governmental Activities	
	2021	2020*
<b>ASSETS</b>		
Current and other assets	\$ 39,285,006	\$ 38,651,114
Capital assets, net	22,203,669	21,624,905
Net OPEB Asset	1,457,785	1,313,401
<b>Total Assets</b>	<b>62,946,460</b>	<b>61,589,420</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding	-	57,669
Pension	5,003,008	4,221,852
OPEB	657,688	411,954
<b>Total Deferred Outflows of Resources</b>	<b>5,660,696</b>	<b>4,691,475</b>
<b>LIABILITIES</b>		
Current and other liabilities	3,101,758	3,046,474
Long-term liabilities:		
Due within one year	1,301,330	934,730
Due in more than one year:		
Net Pension Liability	25,946,988	22,817,826
Net OPEB Liability	1,990,685	2,282,440
Other Amounts	20,696,647	21,059,898
<b>Total Liabilities</b>	<b>53,037,408</b>	<b>50,141,368</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes	15,042,995	14,226,164
Pension	423,197	1,990,614
OPEB	2,883,045	2,423,376
Deferred Charges on Refunding	349,405	-
<b>Total Deferred Inflows of Resources</b>	<b>18,698,642</b>	<b>18,640,154</b>
<b>NET POSITION</b>		
Net investment in capital assets	4,774,464	4,522,662
Restricted	3,138,486	2,844,774
Unrestricted	(11,041,844)	(11,992,719)
<b>Total Net Position</b>	<b>\$ (3,128,894)</b>	<b>\$ (4,625,283)</b>

\* Restated

The net pension liability (NPL), net OPEB liability (NOL), and net OPEB asset are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(UNAUDITED)**

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,128,894. Of this deficit, \$11,041,844 is unrestricted in use. The main reason for the District's negative net position is a result of GASB Statement No. 68 and GASB Statement No. 75 (previously discussed).

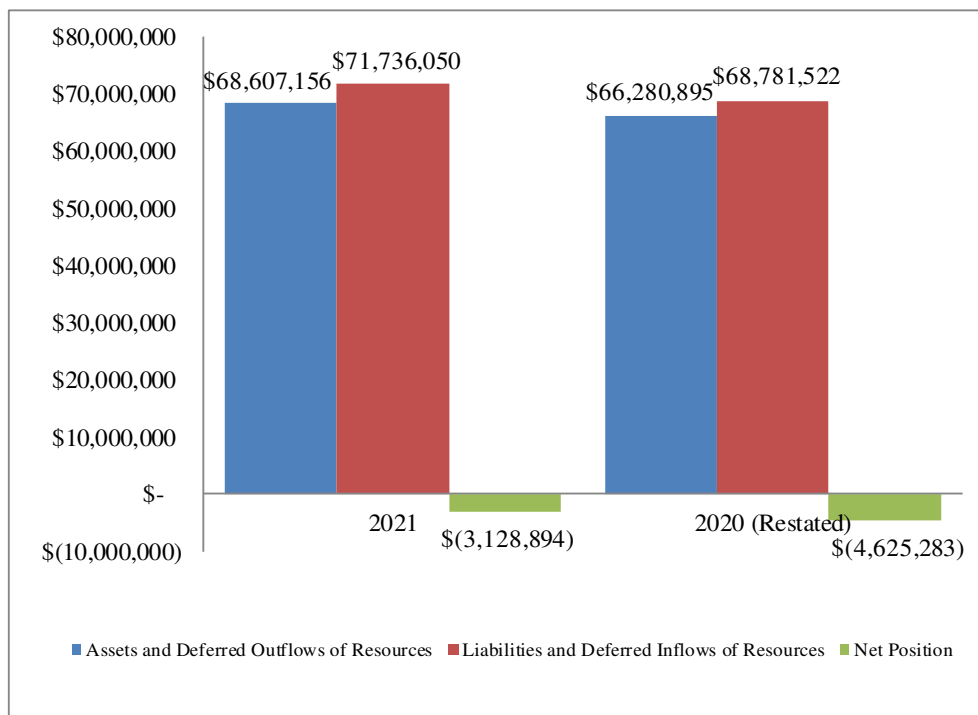
The District had an increase in total assets of \$1,357,040 from fiscal year 2020, which is mainly attributed to revenues outpacing expense due to increased federal funding from CARES Act money. The deferred outflows of resources increased \$969,221 from prior year as a result of changes in the net pension and net OPEB liabilities.

Total liabilities increased from \$50,141,368 to \$53,037,408, difference of \$2,896,040, which is mainly attributed to the changes in net pension liability.

At year end, capital assets represented 35.27 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets to acquire the assets at June 30, 2021, was \$4,774,464, these capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$3,138,486, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position deficit of \$11,041,844 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities net position, liabilities and deferred inflows of resources, and assets and deferred outflows of resources for fiscal years 2021 and 2020:





**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The table below shows the change in net position for fiscal years 2021 and 2020.

**Table 2- Changes in Net Position**

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 1,205,372	\$ 1,577,214
Operating Grants and Contributions	4,152,833	1,733,026
Capital grants and contributions	23,567	-
<b>Total Program Revenues</b>	<b>5,381,772</b>	<b>3,310,240</b>
General Revenues:		
Property Taxes	16,498,905	15,805,312
Grants and Entitlements		
Not Restricted to Specific Programs	5,427,253	5,544,601
Investment Income	44,107	587,267
Gain on Sale of Assets	-	3,844
All Other Revenues	866,131	149,314
<b>Total General Revenues</b>	<b>22,836,396</b>	<b>22,090,338</b>
<b>Total Revenues</b>	<b>28,218,168</b>	<b>25,400,578</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	9,630,788	9,992,368
Special	2,938,812	2,101,698
Other	1,980,019	1,605,236
Supporting Services:		
Pupils	1,915,351	2,111,130
Instructional Staff	1,569,525	1,634,698
Board of Education	144,086	131,568
Administration	1,828,651	2,050,142
Fiscal Services	750,900	723,564
Business	149	27,842
Operation and Maintenance of Plant Services	2,031,244	2,065,874
Pupil Transportation	1,268,137	1,234,510
Central	116,419	113,536
Operation of Non-Instructional Services		
Food Services	643,087	755,556
Other Non-Instructional Services	188,801	112,667
Extracurricular Activities	1,035,036	986,654
Interest and Fiscal Charges	680,774	735,529
<b>Total Expenses</b>	<b>26,721,779</b>	<b>26,382,572</b>
Change in Net Position	1,496,389	(981,994)
Net Position - Beginning of Year, Restated	(4,625,283)	N/A
<b>Net Position - End of Year</b>	<b>\$ (3,128,894)</b>	<b>\$ (4,625,283)</b>

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
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 (UNAUDITED)**

**Governmental Activities**

Net position of the District's governmental activities increased by \$1,496,389. Total governmental expenses of \$26,721,779 were fully offset by program revenues of \$5,381,772 and general revenues of \$22,836,396. Program revenues supported 20.14 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 77.70 percent of total governmental revenue. Overall revenues increased by \$2,817,590 or 11.09 percent when compared to 2020. This increase is mainly attributed to operating grants and entitlements, which included federal funding from COVID relief.

In order to better understand the changes in program expenses in 2021 as compared to 2020, see Table 3 below for analysis of program expenses that have removed all expenses related to GASB Statement No. 68 and 75. See Notes 12 and 13 for more information regarding net pension liability and net OPEB liability/asset and the related pension expense.

The table below presents the District's change in program expenses excluding GASB 68 and GASB 75 for fiscal years 2021 and 2020.

**Table 3 - Changes in Program Expenses excluding GASB 68 and GASB 75**

<b>EXPENSES</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>%</b>
Program Expenses:				
Instruction:				
Regular	\$ 9,248,839	\$ 9,752,902	\$ (504,063)	-5.17%
Special	2,846,344	2,047,910	798,434	38.99%
Other	1,947,706	1,583,413	364,293	23.01%
Supporting Services:				
Pupils	1,887,870	2,082,311	(194,441)	-9.34%
Instructional Staff	1,566,087	1,630,448	(64,361)	-3.95%
Board of Education	144,086	131,483	12,603	9.59%
Administration	1,792,880	2,015,524	(222,644)	-11.05%
Fiscal Services	756,251	720,016	36,235	5.03%
Business	149	27,727	(27,578)	-99.46%
Operation and Maintenance of Plant Services	2,047,022	2,052,022	(5,000)	-0.24%
Pupil Transportation	1,279,783	1,224,104	55,679	4.55%
Central	117,706	112,394	5,312	4.73%
Operation of Non-Instructional Services				
Food Services	647,783	751,392	(103,609)	-13.79%
Other Non-Instructional Services	188,801	112,667	76,134	67.57%
Extracurricular Activities	1,011,313	968,833	42,480	4.38%
Interest and Fiscal Charges	680,774	735,529	(54,755)	-7.44%
<b>Total Expenses</b>	<b>\$ 26,163,394</b>	<b>\$ 25,948,675</b>	<b>\$ 214,719</b>	<b>0.83%</b>

The total program expenses increased by a \$214,719, or .83%, from 2020 to 2021. The two largest increases were special instruction expenses in the amount of \$798,434, or 38.99% and other instruction expense in the amount of \$364,293, or 23.01%. The change was a result of decreased expense in fiscal year 2020 due to the government shutdown.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(UNAUDITED)**

The table below presents the adjustment necessary to show the District's net position without GASB 68 and GASB 75.

**Table 4 - Net Position excluding GASB 68 & 75**

Total Net Position including GASB 68 and GASB 75	\$ (3,128,894)
Add:	
Net Pension Liability	25,946,988
Net OPEB Liability	1,990,685
Deferred Inflows - Pension	423,197
Deferred Inflows - OPEB	2,883,045
Less:	
Deferred Outflows - Pension	5,003,008
Deferred Outflows - OPEB	657,688
Net OPEB Asset	1,457,785
<b>Total Net Position without GASB 68 and GASB 75</b>	<b><u><u>\$ 20,996,540</u></u></b>

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

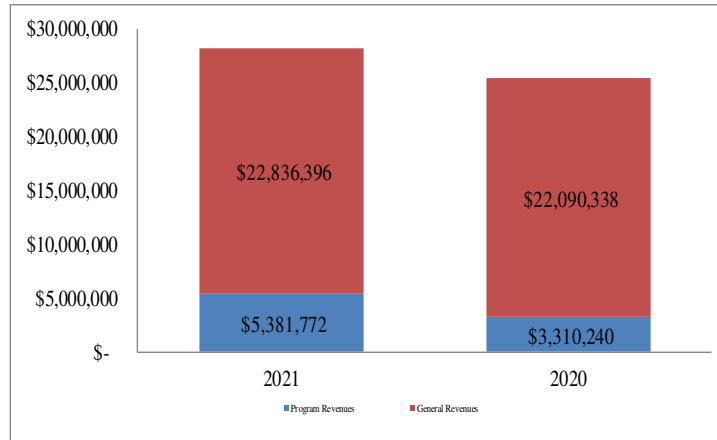
**Table 5 - Total and Net Cost of Program Services**

	<u>Governmental Activities</u>			
	<u>Total Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Instruction	\$ 14,549,619	\$ 13,699,302	\$ 10,749,793	\$ 11,471,417
Supporting Services:				
Pupils and Instructional Staff	3,484,876	3,745,828	2,892,704	3,568,739
Board of Education, Administration, Fiscal Services and Business	2,723,786	2,933,116	2,723,786	2,897,766
Operation and Maintenance of Plant Services	2,031,244	2,065,874	2,031,244	2,065,874
Pupil Transportation	1,268,137	1,234,510	1,224,998	1,234,510
Central	116,419	113,536	116,419	113,536
Operation of Non-Instructional Services	831,888	868,223	90,233	225,269
Extracurricular Activities	1,035,036	986,654	830,056	759,692
Interest and Fiscal Charges	680,774	735,529	680,774	735,529
<b>Total Cost of Services</b>	<b><u><u>\$ 26,721,779</u></u></b>	<b><u><u>\$ 26,382,572</u></u></b>	<b><u><u>\$ 21,340,007</u></u></b>	<b><u><u>\$ 23,072,332</u></u></b>

The dependence upon tax and other general revenues for governmental activities is apparent as 73.88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support covers 79.86 percent of total expenses. The District's taxpayers, as a whole, are the primary support for the District's students.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal years 2021 and 2020.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$20,865,510, which is a higher balance than last year's restated combined fund balance of \$19,031,787. The table below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

	Fund Balance June 30, 2021	*Restated* Fund Balance June 30, 2020	Change	% Change
General	\$ 17,205,684	\$ 15,667,542	\$ 1,538,142	9.82%
Other Governmental	3,659,826	3,364,245	295,581	8.79%
<b>Total</b>	<b>\$ 20,865,510</b>	<b>\$ 19,031,787</b>	<b>\$ 1,833,723</b>	<b>9.64%</b>

**General Fund**

The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	June 30, 2021	June 30, 2020	Change	% Change
<b><u>Revenues</u></b>				
Taxes	\$ 16,009,638	\$ 15,365,134	\$ 644,504	4.19%
Interest	36,591	584,979	(548,388)	-93.74%
Intergovernmental	6,004,176	5,669,607	334,569	5.90%
Other Revenues	1,934,396	1,460,092	474,304	32.48%
<b>Total Revenues</b>	<b>\$ 23,984,801</b>	<b>\$ 23,079,812</b>	<b>\$ 904,989</b>	<b>3.92%</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 11,417,125	\$ 11,925,405	\$ (508,280)	-4.26%
Supporting Services	10,032,015	9,644,370	387,645	4.02%
Extracurricular Activities	759,281	753,007	6,274	0.83%
Debt Service	1,764,096	1,287,091	477,005	37.06%
<b>Total Expenditures</b>	<b>\$ 23,972,517</b>	<b>\$ 23,609,873</b>	<b>\$ 362,644</b>	<b>1.54%</b>

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (UNAUDITED)**

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The District's General Fund balance increased \$1,537,794. This was a result of increases in taxes collected and worker's comp payouts to aid in the COVID-19 pandemic. Interest revenues sharply decreased due interest rates being cut to near zero as a response to the COVID-19 pandemic.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. For the General Fund, original budgeted revenues and other financing sources of \$25,409,622 was higher than the final budgeted revenues and other financing sources of \$24,224,844. Actual revenues and other financing sources for fiscal year 2021 were \$24,249,875.

For fiscal year 2021, the General Fund original budgeted appropriations and other financing uses of \$25,007,328 was increased to \$25,954,436 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled \$22,688,243, which was \$3,266,193 lower than the final budgeted appropriations. This was due to conservative spending as a result of coronavirus pandemic.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$22,203,669 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2021 balances compared to 2020:

**Table 6 - Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities	
	2021	2020
Land	\$ 601,858	\$ 601,858
Land Improvements	796,821	865,863
Buildings and Improvements	18,585,110	19,132,311
Furniture and Equipment	1,448,446	303,565
Vehicles	771,434	721,308
<b>Total Capital Assets</b>	<b>\$ 22,203,669</b>	<b>\$ 21,624,905</b>

There was an overall increase of capital assets of \$578,764 due to the inception of a capital lease for computer equipment.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District had \$2,955,000 in library refunding, \$14,050,000 in certificates of participation and \$1,013,990 in a capital lease agreement. Of this total, \$1,077,997 is due within one year and \$19,296,681 is due in greater than one year. The following table summarizes the District's debt outstanding (excluding premiums).

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (UNAUDITED)**

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**Table 7 - Outstanding Debt at Year End**

	Governmental Activities	
	2021	2020
Library Refunding Debt	\$ 2,955,000	\$ 3,254,396
Certificates of Participation	14,050,000	16,510,000
Capital Leases	1,013,990	-
<b>Total Outstanding Debt</b>	<b>\$ 18,018,990</b>	<b>\$ 19,764,396</b>

At June 30, 2021, the District's overall legal debt margin was \$41,857,204 and an unvoted debt margin of \$492,192.

See Notes 10 and 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District continues to meet its current financial obligations. It is projected that the Board will have a positive five-year forecast through Fiscal Year 2024. However, a negative \$371,562 cash deficit is projected in Fiscal Year 2025 and a negative \$476,390 cash deficit is projected in Fiscal Year 2026.

The middle school roof and entire HVAC system have reached the end of its useful life and will need major repairs/entire replacement in the near future. Likewise, the district's video cameras, phone system and classroom whiteboards and sound will need to be replaced in the near future. The district does not have a permanent improvement levy to help fund these improvements and will need to use its General Fund to pay for these repairs.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Justin Klingshirn, Treasurer/CFO, Vermilion Local District, 1250 Sanford Street, Vermilion, Ohio 44089.

## **Basic Financial Statements**

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 21,839,712
Property Taxes Receivable	17,213,507
Accounts Receivable	2,883
Accrued Interest Receivable	32,160
Intergovernmental Receivable	138,260
Materials and Supplies Inventory	58,484
Nondepreciable Capital Assets	601,858
Depreciable Capital Assets, Net	21,601,811
Net OPEB Asset	1,457,785
<b>Total Assets</b>	<b>62,946,460</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	5,003,008
OPEB	657,688
<b>Total Deferred Outflows of Resources</b>	<b>5,660,696</b>
<b>LIABILITIES</b>	
Accounts Payable	203,012
Accrued Wages and Benefits	2,474,428
Intergovernmental Payable	358,501
Accrued Interest Payable	48,371
Matured Compensated Absences Payable	17,446
Long-term Liabilities:	
Due within one year	1,301,330
Due in more than one year:	
Net Pension Liability (See Note 13)	25,946,988
Net OPEB Liability (See Note 14)	1,990,685
Other Amounts	20,696,647
<b>Total Liabilities</b>	<b>53,037,408</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	15,042,995
Pension	423,197
OPEB	2,883,045
Deferred Charge on Refunding	349,405
<b>Total Deferred Inflows of Resources</b>	<b>18,698,642</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,774,464
Restricted:	
Capital Projects	56,475
Student Activities	108,506
Scholarships	1,954,650
Endowment	73,492
State Funded Programs	386,256
Federally Funded Programs	2,939
Food Service	117,657
Safety and Security	430,912
Other Purposes	7,599
Unrestricted	(11,041,844)
<b>Total Net Position</b>	<b>\$ (3,128,894)</b>

See accompanying notes to the basic financial statements.



**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 9,630,788	\$ 838,722	\$ 1,406,007	\$ -	\$ (7,386,059)
Special	2,938,812	103,381	982,694	-	(1,852,737)
Vocational	-	-	27,741	-	27,741
Other	1,980,019	38,015	403,266	-	(1,538,738)
Supporting Services:					
Pupils	1,915,351	11,011	196,033	-	(1,708,307)
Instructional Staff	1,569,525	-	385,128	-	(1,184,397)
Board of Education	144,086	-	-	-	(144,086)
Administration	1,828,651	-	-	-	(1,828,651)
Fiscal Services	750,900	-	-	-	(750,900)
Business	149	-	-	-	(149)
Operation and Maintenance of Plant Services	2,031,244	-	-	-	(2,031,244)
Pupil Transportation	1,268,137	-	19,572	23,567	(1,224,998)
Central	116,419	-	-	-	(116,419)
Operation of Non-Instructional Services	831,888	28,193	713,462	-	(90,233)
Extracurricular Activities	1,035,036	186,050	18,930	-	(830,056)
Interest and Fiscal Charges	680,774	-	-	-	(680,774)
<b>Total Governmental Activities</b>	<b>\$ 26,721,779</b>	<b>\$ 1,205,372</b>	<b>\$ 4,152,833</b>	<b>23,567</b>	<b>(21,340,007)</b>
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					15,998,829
Debt Service					211,249
Other Purposes					288,827
Grants & Entitlements Not Restricted to Specific Programs					5,427,253
Investment Income					44,107
All Other Revenues					866,131
<b>Total General Revenues</b>					<b>22,836,396</b>
Change in Net Position					1,496,389
Net Position - Beginning of Year, Restated (See Note 3)					(4,625,283)
<b>Net Position - End of Year</b>					<b>\$ (3,128,894)</b>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 18,176,002	\$ 3,663,710	\$ 21,839,712
Materials and Supplies Inventory	50,503	7,981	58,484
Accrued Interest Receivable	25,949	6,211	32,160
Accounts Receivable	2,883	-	2,883
Interfund Receivable	69,102	-	69,102
Intergovernmental Receivable	76,708	61,552	138,260
Property Taxes Receivable	16,717,322	496,185	17,213,507
<b>Total Assets</b>	<b>\$ 35,118,469</b>	<b>\$ 4,235,639</b>	<b>\$ 39,354,108</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 192,303	\$ 10,709	\$ 203,012
Accrued Wages and Benefits	2,412,720	61,708	2,474,428
Intergovernmental Payable	351,006	7,495	358,501
Matured Compensated Absences Payable	17,446	-	17,446
Interfund Payable	-	69,102	69,102
<b>Total Liabilities</b>	<b>2,973,475</b>	<b>149,014</b>	<b>3,122,489</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	14,626,571	416,424	15,042,995
Unavailable Revenue - Delinquent Property Taxes	263,424	8,782	272,206
Unavailable Revenue - Grants	-	1,593	1,593
Unavailable Revenue - Other	49,315	-	49,315
<b>Total Deferred Inflows of Resources</b>	<b>14,939,310</b>	<b>426,799</b>	<b>15,366,109</b>
<b>Fund Balances:</b>			
Nonspendable	54,873	7,981	62,854
Restricted	-	3,605,256	3,605,256
Committed	4,325	56,475	60,800
Assigned	252,353	-	252,353
Unassigned (Deficit)	16,894,133	(9,886)	16,884,247
<b>Total Fund Balances</b>	<b>17,205,684</b>	<b>3,659,826</b>	<b>20,865,510</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 35,118,469</b>	<b>\$ 4,235,639</b>	<b>\$ 39,354,108</b>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

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**Total Governmental Fund Balances** \$ 20,865,510

*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 22,203,669

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent property taxes	\$	272,206	
Intergovernmental grants		1,593	
Other		<u>49,315</u>	
			323,114

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, as interest expenditure is reported when due (48,371)

The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in the governmental funds:

Deferred Outflows - Pension		5,003,008	
Deferred Inflows - Pension		(423,197)	
Net Pension Liability		(25,946,988)	
Net OPEB Asset		1,457,785	
Deferred Outflows - OPEB		657,688	
Deferred Inflows - OPEB		(2,883,045)	
Net OPEB Liability		<u>(1,990,685)</u>	
Total			(24,125,434)

Gain on early retirement of the bonds in Governmental Activities is deferred and to be amortized over the remaining life of the refunded bonds. (349,405)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Library bonds		(2,955,000)	
Certificates of participation		(14,050,000)	
Capital leases		(1,013,990)	
Unamortized debt premium		(2,355,688)	
Compensated absences		<u>(1,623,299)</u>	
Total			<u>(21,997,977)</u>

**Net Position of Governmental Activities** \$ (3,128,894)

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 16,009,638	\$ 499,295	\$ 16,508,933
Intergovernmental	6,004,176	3,493,367	9,497,543
Interest	36,591	7,516	44,107
Tuition	910,404	-	910,404
Extracurricular Activities	70,136	126,869	197,005
Charges for Services	-	56	56
Contributions and Donations	18,006	37,191	55,197
Classroom Materials and Fees	69,714	-	69,714
Food Services	-	28,193	28,193
Miscellaneous	866,136	-	866,136
<b>Total Revenues</b>	<u>23,984,801</u>	<u>4,192,487</u>	<u>28,177,288</u>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular	7,542,927	1,131,723	8,674,650
Special	2,295,265	491,284	2,786,549
Other	1,578,933	385,745	1,964,678
Supporting Services:			
Pupils	1,841,941	80,713	1,922,654
Instructional Staff	2,109,456	611,239	2,720,695
Board of Education	144,086	-	144,086
Administration	1,776,827	-	1,776,827
Fiscal Services	733,696	8,407	742,103
Business	149	-	149
Operation and Maintenance of Plant Services	2,001,046	8,043	2,009,089
Pupil Transportation	1,305,986	23,387	1,329,373
Central	118,828	-	118,828
Operation of Non-Instructional Services:			
Food Service Operations	-	628,602	628,602
Community Services	-	188,801	188,801
Extracurricular Activities	759,281	183,734	943,015
Debt Service:			
Principal Retirement	1,137,997	51,161	1,189,158
Interest and Fiscal Charges	391,573	169,566	561,139
Issuance Costs	234,526	82,294	316,820
<b>Total Expenditures</b>	<u>23,972,517</u>	<u>4,044,699</u>	<u>28,017,216</u>
<b>Excess of Revenues (Under) Expenditures</b>	<u>12,284</u>	<u>147,788</u>	<u>160,072</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Inception of Capital Lease	1,351,987	-	1,351,987
Proceeds from Debt Issued	14,215,000	2,995,000	17,210,000
Premium on Debt Issued	2,186,139	289,290	2,475,429
Payment to Refunded Bond Escrow	(16,162,438)	(3,201,996)	(19,364,434)
Transfers In	-	65,178	65,178
Transfers Out	(65,178)	-	(65,178)
<b>Total Other Financing Sources (Uses)</b>	<u>1,525,510</u>	<u>147,472</u>	<u>1,672,982</u>
Net Change in Fund Balances	1,537,794	295,260	1,833,054
Fund Balances - Beginning of Year, Restated	15,667,542	3,364,245	19,031,787
Increase in Inventory	348	321	669
<b>Fund Balances - End of Year</b>	<u>\$ 17,205,684</u>	<u>\$ 3,659,826</u>	<u>\$ 20,865,510</u>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Net Change in Fund Balances-Total Governmental Funds** **\$ 1,833,054**

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 1,554,603	
Depreciation	(969,092)	
Total		585,511

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (6,747)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	(10,028)	
Intergovernmental grants	1,593	
Other	49,315	
Total		40,880

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of refunding bonds and capital leases. (18,561,987)

Repayment of debt principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 20,209,158

Contractually required contributions are reported as expenditures in the Governmental Funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	1,878,748	
OPEB	62,311	
Total		1,941,059

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension/OPEB expense in the Statement of Activities.

Pension	(2,659,337)	
OPEB	159,893	
Total		(2,499,444)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	(111,954)	
Bond accretion	98,235	
Accrued interest	11,830	
Amortization of debt premiums	(1,636,801)	
Amortization of deferred amounts on refunding	(407,074)	
Change in inventory	669	
Total		(2,045,095)

**Change in Net Position of Governmental Activities** **\$ 1,496,389**

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 14,552,491	\$ 15,708,412	\$ 16,153,242	\$ 444,830
Intergovernmental	6,518,721	4,703,752	6,034,087	1,330,335
Interest	179,647	129,629	166,291	36,662
Tuition	983,525	709,688	910,404	200,716
Extracurricular Activities	63,934	46,133	59,181	13,048
Classroom Materials and Fees	75,313	54,344	69,714	15,370
Miscellaneous	585,816	422,711	542,264	119,553
<b>Total Revenues</b>	<u>22,959,447</u>	<u>21,774,669</u>	<u>23,935,183</u>	<u>2,160,514</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	8,388,276	8,712,358	7,637,690	1,074,668
Special	2,425,053	2,518,744	2,258,586	260,158
Other	1,725,511	1,792,175	1,575,343	216,832
Supporting Services				
Pupils	2,072,341	2,152,406	1,891,323	261,083
Instructional Staff	1,209,322	1,255,788	1,119,918	135,870
Board of Education	140,501	145,929	137,920	8,009
Administration	1,972,068	2,048,259	1,798,972	249,287
Fiscal Services	800,453	831,378	727,787	103,591
Business	302	314	275	39
Operation and Maintenance of Plant Services	2,153,000	2,236,155	2,036,651	199,504
Pupil Transportation	1,350,237	1,402,403	1,293,640	108,763
Central	129,166	134,156	117,440	16,716
Extracurricular Activities	849,421	882,239	772,310	109,929
Debt Service:				
Principal	698,402	725,384	635,000	90,384
Interest & Fiscal Charges	607,552	631,025	552,398	78,627
<b>Total Expenditures</b>	<u>24,521,605</u>	<u>25,468,713</u>	<u>22,555,253</u>	<u>2,913,460</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,562,158)</u>	<u>(3,694,044)</u>	<u>1,379,930</u>	<u>5,073,974</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	9,604	9,604	-	(9,604)
Refund of Prior Year Expenditures	205,609	205,609	306,592	100,983
Refund of Prior Year Receipts	(264)	(264)	-	264
Advances In	236,035	236,035	-	(236,035)
Advances Out	-	-	(59,711)	(59,711)
Transfers In	1,998,927	1,998,927	8,100	(1,990,827)
Transfers Out	(485,459)	(485,459)	(73,279)	412,180
<b>Total Other Financings Sources (Uses)</b>	<u>1,964,452</u>	<u>1,964,452</u>	<u>181,702</u>	<u>(1,782,750)</u>
Net Change in Fund Balance	402,294	(1,729,592)	1,561,632	3,291,224
Fund Balance - Beginning of Year	16,086,138	16,086,138	16,086,138	-
Prior Year Encumbrances Appropriated	7,329	7,329	7,329	-
<b>Fund Balance - End of Year</b>	<u>\$ 16,495,761</u>	<u>\$ 14,363,875</u>	<u>\$ 17,655,099</u>	<u>\$ 3,291,224</u>

See accompanying notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 STATEMENT OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 JUNE 30, 2021**

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	<b>Total</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,504
Receivables:	
Taxes for Other Governments	45,657
<b>Total Assets</b>	<b>47,161</b>
<b>LIABILITIES</b>	
Intergovernmental Payable	45,657
<b>Total Liabilities</b>	<b>45,657</b>
<b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	1,504
<b>Total Net Position</b>	<b>\$ 1,504</b>

See accompany notes to the basic financial statements.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<b>Funds</b>
<b>ADDITIONS</b>	
Property Tax Collections for Other Governments	49,003
Collections for Other Organizations	627
<b>Total Additions</b>	<b>49,630</b>
 <b>DEDUCTIONS</b>	
Property Tax Collections to Other Governments	49,003
Distributions to Other Organizations	638
<b>Total Deductions</b>	<b>49,641</b>
Net (Decrease) in Fiduciary Net Position	(11)
 Net Position - Beginning of Year, Restated	 1,515
<b>Net Position - End of Year</b>	<b>\$ 1,504</b>

See accompany notes to the basic financial statements.



*Notes to the Basic Financial Statements*

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1: DESCRIPTION OF THE DISTRICT**

The Vermilion Local School District (the “District”) is located in Erie County and encompasses all of the City of Vermilion and portions of surrounding townships.

The District was established in 1944 through the consolidation of existing land areas and Districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 97 non-certified and 145 certified employees to provide services to 1,720 students in grades K through 12 and various community groups.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

A. **Reporting Entity** (Continued)

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

**JOINTLY GOVERNED ORGANIZATIONS**

**EHOVE Career Center**

The career center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts nontuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

**Metropolitan Educational Technical Association**

The District participates in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an education solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs. The governing board of META consists of a president, vice president, and six board members who represent the members of META. The Board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. During fiscal year 2021, the District paid \$35,189 to META Solutions. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**Lake Erie Regional Council (LERC)**

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of ten Districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements to its members in dealing with problems of mutual concern such as health insurance. The LERC assembly consists of a superintendent or designated representative from each participating District and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

**RELATED ORGANIZATIONS**

**The Ritter Public Library**

The Ritter 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 District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although, the District does serve as the taxing authority and has issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Ritter Public Library, Clerk/Treasurer, at 5680 Liberty Avenue, Vermilion, Ohio 44089.

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

**B. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

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

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

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

**PROPRIETARY FUNDS**

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (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 District's fiduciary funds are custodial funds. Custodial funds are used to account for taxes levied on behalf of the library and OHSAA fees collected for tournaments.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Custodial funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

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

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*Deferred Outflows/Inflows of Resources* - In addition to assets, the government-wide Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported in the government-wide Statement of Net Position for deferral on refunding and for pension and OPEB. A deferral on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the government-wide Statement of Net Position and governmental funds Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance year 2021 operations represents imposed non-exchange revenues. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

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

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

For the District, unavailable revenue includes delinquent property taxes, grants, and other. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and are further explained in Notes 13 and 14.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as material and supplies inventory.

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

E. **Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2021.

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

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

E. **Budgets** (Continued)

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2021. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. **Cash and Investments**

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

During fiscal year 2021, investments were limited to U.S. Government Agency Notes, Negotiable Certificates of Deposit, U.S. Treasury notes, U.S. Government Money Markets, Commercial Paper and STAR Ohio.

During fiscal year 2021, the 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 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.



**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

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

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

For the fiscal year 2021, there were no limitation 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 \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District allocates investment earnings to the General, Scholarship and Food Service funds in accordance with Board policies and State statutes. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$36,591. No interest was assigned from other District funds. In total, the change in fair value increased the District's total investments by \$253,282.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 5.

G. **Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. **Capital Assets**

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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

H. **Capital Assets** (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$7,500 for its general capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

I. **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column on the Statement of Net Position.

J. **Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees, regardless of age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2021, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(CONTINUED)**

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

J. **Compensated Absences** (Continued)

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, and 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. **Accrued Liabilities and Long-Term Obligations**

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

M. **Fund Balance**

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

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

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

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

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

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

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

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

N. **Net Position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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 \$3,138,486 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. There were no significant prepayments at fiscal year-end.

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Unamortized Bond Premium**

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period.

**S. Parochial School**

Within the District's boundaries, the St. Mary School and the Norwalk Catholic School are operated through the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial schools. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

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**NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES**

During the fiscal year, the 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 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*, with exception of paragraphs 13-14. 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 District.

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 District will no longer be reporting agency funds. The 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, in the amount of \$1,515.

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

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balance June 30, 2020	\$ 15,663,172	\$ 1,225,664	\$ 16,888,836
Adjustments:			
GASB Statement No. 84	<u>4,370</u>	<u>2,138,581</u>	<u>2,142,951</u>
Restated Fund Balance June 30, 2020	<u><u>\$ 15,667,542</u></u>	<u><u>\$ 3,364,245</u></u>	<u><u>\$ 19,031,787</u></u>
		<u>Governmental Activities</u>	
Net Position June 30, 2020		<u>\$ (6,768,234)</u>	
Adjustments:			
GASB Statement No. 84		<u>2,142,951</u>	
Restated Net Position June 30, 2020		<u><u>\$ (4,625,283)</u></u>	

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**NOTE 4: ACCOUNTABILITY**

There is a fund balance deficit in the following funds at June 30, 2021:

Improving Teacher Quality	\$ 495
Title I, Disadvantaged Children/Targeted Assistance	9,391

These deficits are caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount to a single issuer not to exceed five percent of the interim monies available for investment at any one time if training requirements have been met,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by the financial institution's 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.

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

A. **Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of the District's deposits was \$6,423,161. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2021, \$250,000 of the District's bank balance of \$6,649,170 was covered by Federal Depository Insurance and \$4,556,711 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name, and \$1,842,459 was uninsured and uncollateralized. The District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.



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

A. **Deposits with Financial Institutions** (Continued)

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

B. **Investments**

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The table on the following page identifies the District's recurring fair value measurement as of June 30, 2021. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the District are valued using quoted market prices (Level 1 and Level 2 inputs).

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

Investment Type	Fair Value/NAV	Investment Maturities			Level Input
		<1 Year	1 - 2 Years	2 - 5 Years	
U.S. Government Agency Notes	\$ 4,461,197	\$ 735,402	\$ -	\$ 3,725,795	2
Commerical Paper	1,329,508	1,329,508	-	-	2
Negotiable Certificates of Deposit	5,866,424	1,866,140	1,495,529	2,504,755	2
U.S. Treasury Notes	525,008	-	-	525,008	2
U.S. Government Money Markets	307,316	307,316	-	-	1
STAR Ohio	2,928,602	2,928,602	-	-	N/A
<b>Total</b>	<b>\$ 15,418,055</b>	<b>\$ 7,166,968</b>	<b>\$ 1,495,529</b>	<b>\$ 6,755,558</b>	

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

B. **Investments** (Continued)

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in U.S. Government Agency Notes and Treasury Notes were rated Aaa by Moody's Investor Services. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Fitch rated U.S. Government Money Market at AAA. The credit rating for the District's investments in the negotiable certificates of deposit are not rated. Commercial Paper must be rated Aaa by Moody's and AAAM by Standard and Poor's.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury notes 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 District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. The District's investments in negotiable certificates of deposit of \$5,866,424 were fully covered by the FDIC.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. Ohio Revised Code 135.14(B)(7) limits the investment in commercial paper notes of a single issuer does not exceed the aggregate five per cent of interim moneys available at the time of purchase. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Investment Type</u>	<u>Fair Value/NAV</u>	<u>% of Total</u>
U.S. Government Agency Notes	\$ 4,461,197	28.93%
Commerical Paper	1,329,508	8.62%
Negotiable Certificates of Deposit	5,866,424	38.05%
U.S. Treasury Notes	525,008	3.41%
U.S. Government Money Markets	307,316	2.00%
STAR Ohio	2,928,602	18.99%
<b>Total</b>	<u>\$ 15,418,055</u>	<u>100.00%</u>

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 (CONTINUED)**

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

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the Statement of Net Position as of June 30, 2021:

<u>Cash and Investments per Footnote</u>	
Carrying Amount of Deposits	\$ 6,423,161
Investments	15,418,055
Total	\$ 21,841,216
<u>Cash and Investments per Statements</u>	
Governmental Activities	\$ 21,839,712
Custodial Funds	1,504
Total	\$ 21,841,216

NOTE 6: **INTERFUND TRANSACTIONS**

**A. Interfund Loans Receivable and Payable**

Interfund balances at June 30, 2021 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 69,102

Monies were advanced from the general fund to various nonmajor governmental funds to cover operating expenditures until additional monies are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**B. Interfund Transfers**

Interfund transfers at June 30, 2021 as reported on the fund financial statements, consist of the following:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 65,178

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The interfund transfer between governmental funds is eliminated on the government-wide financial statements.

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**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value

The District receives property taxes from Erie and Lorain counties. The County Auditors periodically advance to the 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 as an advance at June 30, 2021 was \$1,827,327 in the General Fund, \$41,866 in Debt Service Fund (a nonmajor governmental fund), \$29,113 in the Special Levy Fund (a nonmajor governmental fund), and \$5,691 in the Library Construction Fund (an agency fund). This amount is recorded as revenue. The amount available for advance at June 30, 2020, was \$1,970,931 in the General Fund, \$28,094 in the Debt Service Fund (a nonmajor governmental fund), \$48,926 in the Special Levy Fund (A nonmajor governmental fund), and \$6,243 in the Library Construction Fund (an agency fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property which are measurable as of June 30, 2021, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end.

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. On the full accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been included in deferred inflows of resources.

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NOTE 7: **PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 427,185,990	89.55%	\$ 432,755,940	87.93%
Public Utility Personal	49,839,010	10.45%	59,386,040	12.07%
Total	<u>\$ 477,025,000</u>	<u>100.00%</u>	<u>\$ 492,141,980</u>	<u>100.00%</u>
 Tax rate per \$1,000 of Assessed Valuation	 \$ 68.08		 \$ 67.78	

NOTE 8: **RECEIVABLES**

Receivables at June 30, 2021, consisted of taxes, accrued interest, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Position follows:

<b><u>Governmental Activities</u></b>	
Property Taxes Receivables	\$ 17,213,507
Intergovernmental Receivable	138,260
Accounts Receivable	2,883
Accrued Interest Receivable	32,160
Total Governmental Activities	<u>\$ 17,386,810</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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**NOTE 9: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

<u>Governmental Activities:</u>	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
<i>Capital assets, not being depreciated:</i>				
Land	\$ 601,858	\$ -	\$ -	\$ 601,858
Total capital assets, not being depreciated	<u>601,858</u>	<u>-</u>	<u>-</u>	<u>601,858</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,763,881	-	-	1,763,881
Buildings and improvements	31,014,791	-	-	31,014,791
Furniture and equipment	1,724,195	1,363,552	-	3,087,747
Vehicles	2,348,052	191,051	(134,935)	2,404,168
Total capital assets, being depreciated	<u>36,850,919</u>	<u>1,554,603</u>	<u>(134,935)</u>	<u>38,270,587</u>
<u>Less: accumulated depreciation:</u>				
Land improvements	(898,018)	(69,042)	-	(967,060)
Buildings and improvements	(11,882,480)	(547,201)	-	(12,429,681)
Furniture and equipment	(1,420,630)	(218,671)	-	(1,639,301)
Vehicles	(1,626,744)	(134,178)	128,188	(1,632,734)
Total accumulated depreciation	<u>(15,827,872)</u>	<u>(969,092)</u>	<u>128,188</u>	<u>(16,668,776)</u>
Total Capital Assets being depreciated, net	<u>21,023,047</u>	<u>585,511</u>	<u>(6,747)</u>	<u>21,601,811</u>
Governmental activities capital assets, net	<u>\$ 21,624,905</u>	<u>\$ 585,511</u>	<u>\$ (6,747)</u>	<u>\$ 22,203,669</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 525,516
Supporting Services:	
Pupils	1,055
Instructional Staff	170,453
Administration	4,165
Operation and Maintenance of Plant Services	46,248
Pupil Transportation	133,274
Operational of Non-Instructional Services	25,843
Extracurricular Activities	62,538
Total Depreciation Expense	<u>\$ 969,092</u>

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**NOTE 10: LONG-TERM OBLIGATIONS**

**A. Changes in Governmental Activities Long-Term Obligations**

During the fiscal year 2021, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance as of 6/30/2020	Additions	Reductions	Balance as of 6/30/2021	Amounts Due In One Year
<b><u>Governmental Activities Long-Term Obligations</u></b>						
<b><u>Long-term Debt Obligations</u></b>						
<b><u>General Obligation Bonds</u></b>						
General Obligation Bonds - Library Refunding 2020						
Current Interest	2.0-4.0%	\$ -	\$ 2,995,000	\$ (40,000)	\$ 2,955,000	\$ 130,000
Premium on Bonds		-	289,290	(14,130)	275,160	-
General Obligation Bonds - Library Refunding						
Current Interest Term	3.0-4.125%	3,145,000	-	(3,145,000)	-	-
Capital Appreciation		11,161	-	(11,161)	-	-
Accreted Interest		98,235	15,604	(113,839)	-	-
Premium on Bonds		126,644	-	(126,644)	-	-
<b>Total General Obligations</b>		<u>3,381,040</u>	<u>3,299,894</u>	<u>(3,450,774)</u>	<u>3,230,160</u>	<u>130,000</u>
<b><u>Direct Borrowings</u></b>						
Certificate of Participation, Series 2012						
Premium on Certificates	2.0-5.0%	16,510,000	-	(16,510,000)	-	-
Certificate of Participation Refunding, Series 2020	3.0-4.0%	592,243	-	(592,243)	-	-
Premium on Certificates		-	14,215,000	(165,000)	14,050,000	610,000
<b>Total Direct Borrowings</b>		<u>17,102,243</u>	<u>16,401,139</u>	<u>(17,372,854)</u>	<u>16,130,528</u>	<u>610,000</u>
Capital Leases		-	1,351,987	(337,997)	1,013,990	337,997
<b>Total Long-term Debt Obligations</b>		<u>20,483,283</u>	<u>21,053,020</u>	<u>(21,161,625)</u>	<u>20,374,678</u>	<u>1,077,997</u>
<b><u>Other General Obligations</u></b>						
Compensated Absences		1,511,345	302,288	(190,334)	1,623,299	223,333
Net Pension Liability:						
STRS		17,536,758	2,533,358	-	20,070,116	-
SERS		5,281,068	595,804	-	5,876,872	-
Total Net Pension Liability		<u>22,817,826</u>	<u>3,129,162</u>	<u>-</u>	<u>25,946,988</u>	<u>-</u>
Net OPEB Liability:						
SERS		2,282,440	-	(291,755)	1,990,685	-
Total Net OPEB Liability		<u>2,282,440</u>	<u>-</u>	<u>(291,755)</u>	<u>1,990,685</u>	<u>-</u>
<b>Total Other General Obligations</b>		<u>26,611,611</u>	<u>3,431,450</u>	<u>(482,089)</u>	<u>29,560,972</u>	<u>223,333</u>
<b>Total Governmental Activities' Long-Term Obligations</b>		<u>\$ 47,094,894</u>	<u>\$ 24,484,470</u>	<u>\$ (21,643,714)</u>	<u>\$ 49,935,650</u>	<u>1,301,330</u>

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Note 13 and 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

*General Obligation Bonds –*

*Library Refunding, Series 2011* - On November 3, 2011, the District issued general obligation bonds on behalf of the Ritter Public Library for current refunding of the current interest portion of the Library, Series 2008 bonds, which were originally for library improvements. As a result, the proceeds from the bonds have not been capitalized by the District and are not included in the District's calculation of "net investment in capital asset."

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NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

A. **Changes in Governmental Activities Long-Term Obligations** (Continued)

These bonds are general obligation of the District for which the full faith and credit of the District is pledged for repayment. These bonds are payable from a 0.50 mil tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the Statement of Net Position. Payments of principal and interest relating to this bond are recorded as an expenditure in the Bond Retirement Fund.

This issue is comprised of both current interest bonds, par value \$3,335,000, and capital appreciation bonds, par value \$44,998. The interest rates on the current interest bonds range from 2.00 percent to 4.125 percent. The capital appreciation bonds mature on December 1, 2016 (approximate initial offering yield at maturity 2.75 percent), December 1, 2017 (approximate initial offering yield at maturity 3.00 percent), December 1, 2018 (approximate initial offering yield at maturity 3.25 percent), December 1, 2019 (approximate initial offering yield at maturity 3.50 percent) and December 1, 2020 (approximate initial offering yield at maturity 3.75 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$345,000. These bonds were retired during fiscal year 2021 through 2020 refunding bonds issued.

*Library Refunding, Series 2020* – On September 17, 2020, the District issued general obligation bonds on behalf of the Ritter Public Library for current refunding of the current interest portion of the Library, Series 2011 refunding bonds, which were originally for library improvements. As a result, the proceeds from the bonds have not been capitalized by the District and are not included in the District’s calculation of “net investment in capital asset.”

These bonds are general obligation of the District for which the full faith and credit of the District is pledged for repayment. These bonds are payable from a 0.45 mil tax levied on all taxable property in the District. Accordingly, such unmatured obligations are accounted for in the Statement of Net Position. Payments of principal and interest relating to this bond are recorded as an expenditure in the Bond Retirement Fund. The current interest bonds were issued with a par value of \$2,955,000 with interest rates varying from 2.0 percent to 4.0 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2036.

The following is a summary of the future annual requirements to maturity for general obligation bonds:

FYE June 30,	Current Interest Bonds		
	Principal	Interest	Total
2022	\$ 130,000	\$ 77,450	\$ 207,450
2023	145,000	74,700	219,700
2024	165,000	71,600	236,600
2025	165,000	67,475	232,475
2026	170,000	62,450	232,450
2027-2031	1,310,000	215,650	1,525,650
2032-2036	645,000	67,850	712,850
2037-2038	225,000	2,250	227,250
Total	<u>\$ 2,955,000</u>	<u>\$ 639,425</u>	<u>\$ 3,594,425</u>



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NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

A. **Changes in Governmental Activities Long-Term Obligations** (Continued)

*Certificates of Participation, Series 2012* - On December 1, 2012, the District entered into a ground lease agreement with Agricultural Incubator Foundation, as lessor, for the purpose of acquiring, constructing, improving, furnishing, and equipping school facilities, with related site improvements. The Agricultural Incubator Foundation in turn entered into an agreement with The Huntington National Bank, as Trustee, through with it assigned and transferred its rights, title, and interest under the leases to The Huntington National Bank. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. The District has pledged the existing middle school and high school along with any improvements made as a result of this project as collateral. The Certificates of Participation will be repaid over 25 years.

The outstanding lease from direct borrowings contain the following provisions in the event of default and with or without terminating the lease; (1) any Base Rent (outstanding balance) is to be immediately due and payable, (2) take immediate possession of and remove any or all of the personal property constituting Project Facilities; (3) sublease the Project for the account of the Lessee, holding the Lessee liable for all applicable Lease Payments and other payments due during the then current Lease Term to the effective date of such subleasing and for the difference between the rental and other amounts paid by the sublessee pursuant to such sublease and amounts payable during the then current Lease Term by the Lessee under this lease. (4) Exercise any other right, remedy, or privilege which may be available to it under the applicable laws of the State or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to the Project. Pursuant to Section 133.06 of the Ohio Revised Code, the obligation of these lease-purchase agreements will not be constructed as indebtedness of the District.

*Certificate of Participation Refunding, Series 2020* – On September 3, 2020, the District issued Certificates of Participation for purpose of refunding Certificates of Participation, Series 2012. The Certificates of Participation were issued at a par value of \$14,215,000 and contain a variable interest rates between 3.0-4.0%. The final maturity is dated for December 1, 2037.

The Outstanding lease from direct borrowings contain the following provisions in the event of default the lessor may exercise one or more of the following remedies; (1) By written notice to the Board, request the Board to promptly return possession of the Project to the Lessor or, at the Lessor's option, the Lessor may enter upon the Project Site and take immediate possession of and remove personal property constituting Project Facilities; (2) Sublease the Project for the account of the Board, holding the Board liable for all Lease Payments and other payments due prior to the effective date of the sublease and for the difference between the rental and other amounts paid by the sublessee pursuant to such sublease and the amounts payable by the Board pursuant to the Lease during the then current Lease Term; and (3) Exercise any other right, remedy or privilege available under Ohio or any other applicable law, or proceed by appropriate court action to enforce the terms of the Lease or rescind the Lease or recover damages.

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 (CONTINUED)**

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

A. **Changes in Governmental Activities Long-Term Obligations** (Continued)

The following is a summary of the future annual requirements to maturity for certificates of participation:

FYE June 30,	Certificates of Participation		
	Principal	Interest	Total
2022	\$ 610,000	\$ 492,550	\$ 1,102,550
2023	630,000	473,950	1,103,950
2024	650,000	454,750	1,104,750
2025	670,000	431,600	1,101,600
2026	695,000	404,300	1,099,300
2027-2031	3,920,000	1,572,200	5,492,200
2032-2036	4,745,000	728,250	5,473,250
2037-2038	2,130,000	64,350	2,194,350
Total	<u>\$ 14,050,000</u>	<u>\$ 4,621,950</u>	<u>\$ 18,671,950</u>

B. **Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$41,857,204 (including available funds of \$519,426) and an unvoted debt margin of \$492,142.

NOTE 11: **CAPITAL LEASES**

In fiscal year 2021, the District entered into a lease agreement for apple computer and laptop equipment. The lease agreement qualifies as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets:	Governmental Activities
Equipment	\$ 1,351,987
Less: accumulated depreciation	(165,618)
Total	<u>\$ 1,186,369</u>

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**NOTE 11: CAPITAL LEASES**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments:

Year	Governmental Activities
2022	\$ 337,997
2023	337,997
2024	337,996
Present value of minimum lease payments	\$ 1,013,990

**NOTE 12: RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted with the Ohio Casualty Group for general liability, automobile liability and property insurance. The District liability policy has a limit of \$1,000,000 for each occurrence and \$2,000,000 aggregate. Automobile liability has a \$1,000,000 combined single limit of liability. Limits of insurance on real property and equipment are \$66,134,430 with a deductible of \$5,000.

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

**B. Life Insurance**

The District provides group life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through the American United Insurance Company as members of the Ohio School Council/MEC consortium.

**C. Employee Health and Dental**

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide partially self-insured employee health and medical benefits since December 1988. LERC is a claims-servicing pool comprised of 11 Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow or individual account balance. LERC Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical plan. Stop loss is provided by a private insurance carrier for all individual claims in excess of \$250,000.

LERC's pool premiums are billed to each participating District based on its actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of its deficiency and its premium is adjusted to cover its share of the additional cost of anticipated future claims.

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NOTE 13: **DEFINED BENEFIT PENSION PLANS**

A. **Net Pension Liability**

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

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

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

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

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

B. **Plan Description - School Employees Retirement System (SERS)**

***Plan Description*** –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](http://www.ohsers.org) under Employers/Audit Resources.

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

**B. Plan Description - School Employees Retirement System (SERS)** (Continued)

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 CPI-W, not exceed 2.5% and with a floor of 0.0%. For 2021, the COLA was 0.5%.

***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 percent.

The District’s contractually required contribution to SERS was \$457,566 for fiscal year 2021. Of this amount \$46,735 is reported as an intergovernmental payable.

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

***Plan Description*** –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](http://www.strsoh.org).

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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. Effective July 1, 2017 the cost-of-living adjustment was reduced to zero. Eligibility changes will be phased in until August 1, 2026, members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 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.

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.

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

*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 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 District’s contractually required contributions to STRS was \$1,421,182 for fiscal year 2021.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0882653%	0.07930018%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0888522%</u>	<u>0.08294656%</u>	
Change in Proportionate Share	<u>0.0005869%</u>	<u>0.00364638%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 5,876,872	\$ 20,070,116	\$ 25,946,988
Pension Expense	\$ 525,584	\$ 2,133,753	\$ 2,659,337

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**VERMILION LOCAL SCHOOL DISTRICT  
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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 11,416	\$ 45,034	\$ 56,450
Changes of assumptions	-	1,077,376	1,077,376
Net difference between projected and actual earnings on pension plan investments	373,061	976,015	1,349,076
Changes in proportion and differences between contributions and proportionate share of contributions	21,818	619,540	641,358
District contributions subsequent to the measurement date	<u>457,566</u>	<u>1,421,182</u>	<u>1,878,748</u>
Total Deferred Outflows of Resources	<u>\$ 863,861</u>	<u>\$ 4,139,147</u>	<u>\$ 5,003,008</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 128,335	\$ 128,335
Changes in proportion and differences between contributions and proportionate share of contributions	<u>49,627</u>	<u>245,235</u>	<u>294,862</u>
Total Deferred Inflows of Resources	<u>\$ 49,627</u>	<u>\$ 373,570</u>	<u>\$ 423,197</u>

\$1,878,748 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (36,306)	\$ 720,748	\$ 684,442
2023	120,671	369,603	490,274
2024	272,303	657,666	929,969
2025	-	596,378	596,378
Total	<u>\$ 356,668</u>	<u>\$ 2,344,395</u>	<u>\$ 2,701,063</u>



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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

**E. Actuarial Assumptions – SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 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
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.

**VERMILION LOCAL SCHOOL DISTRICT  
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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

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:

<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
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	<u>100.00 %</u>	

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

***Sensitivity of the 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 8,050,597	\$ 5,876,872	\$ 4,053,075

**VERMILION LOCAL SCHOOL DISTRICT  
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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

*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 continuing 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 2020 meeting, the Board unanimously voted to approve a 0.5 percent cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries. Previously, COLAs were suspended for 2018 through 2020.

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020 are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

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 on the following page:

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NOTE 13: **DEFINED BENEFIT PENSION PLANS** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

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

\* 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. 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.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 28,576,351	\$ 20,070,116	\$ 12,861,790

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**ERIE COUNTY, OHIO**  
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NOTE 14: **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 represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability 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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

**VERMILION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**B. Plan Description - School Employees Retirement System (SERS)**

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

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

***Funding Policy*** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 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. For fiscal year 2021, the District's surcharge obligation \$62,311.

The surcharge is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$62,311 for fiscal year 2021. The full amount is reported as an intergovernmental payable.

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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

*Plan Description* – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

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 District's proportion of the net OPEB liability and net OPEB asset were based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/asset			
Prior Measurement Date	0.0907607%	0.07930018%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.0915962%</u>	<u>0.08294656%</u>	
Change in Proportionate Share	<u>0.0008355%</u>	<u>0.00364638%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 1,990,685	\$ (1,457,785)	\$ 532,900
OPEB Expense	\$ (64,240)	\$ (95,653)	\$ (159,893)

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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**D. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 26,146	\$ 93,410	\$ 119,556
Changes of assumptions	339,343	24,064	363,407
Net difference between projected and actual earnings on OPEB plan investments	22,431	51,088	73,519
Changes in proportion and differences between contributions and proportionate share of contributions	31,098	7,797	38,895
District contributions subsequent to the measurement date	62,311	-	62,311
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 481,329</u></b>	<b><u>\$ 176,359</u></b>	<b><u>\$ 657,688</u></b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 1,012,403	\$ 290,371	\$ 1,302,774
Changes of assumptions	50,141	1,384,652	1,434,793
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
share of contributions	100,696	44,782	145,478
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 1,163,240</u></b>	<b><u>\$ 1,719,805</u></b>	<b><u>\$ 2,883,045</u></b>

\$62,311 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense on the following page:



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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**D. OPEB Liabilities, OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (154,812)	\$ (385,422)	\$ (540,234)
2023	(165,985)	(350,840)	(516,825)
2024	(167,421)	(338,704)	(506,125)
2025	(126,654)	(332,115)	(458,769)
2026	(96,101)	(66,766)	(162,867)
Thereafter	(33,249)	(69,599)	(102,848)
Total	\$ (744,222)	\$ (1,543,446)	\$ (2,287,668)

**E. 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.

**VERMILION LOCAL SCHOOL DISTRICT  
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 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**E. Actuarial Assumptions – SERS** (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	
Measurement Date	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent
Prior Measurement Date	
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.

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 ERIE COUNTY, OHIO  
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NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**E. Actuarial Assumptions – SERS** (Continued)

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

<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	<u>100.00 %</u>	

***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, 2019 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, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 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. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (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.

	<u>1% Decrease (1.63%)</u>	<u>Current Discount Rate (2.63%)</u>	<u>1% Increase (3.63%)</u>
District's proportionate share of the net OPEB liability	\$ 2,436,549	\$ 1,990,685	\$ 1,636,224

**VERMILION LOCAL SCHOOL DISTRICT  
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 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**E. Actuarial Assumptions – SERS** (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%)
District's proportionate share of the net OPEB liability	\$ 1,567,513	\$ 1,990,685	\$ 2,556,575

*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 continuing 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 2020 meeting, the Board unanimously voted to approve a 0.5 percent cost-of-living adjustment (COLA) increase for eligible retirees and beneficiaries. Previously, COLAs were suspended for 2018 through 2020.

**F. Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation is 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.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**F. Actuarial Assumptions – STRS** (Continued)

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.

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 below:

<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	<u>1.00</u>	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 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 that total OPEB liability as of June 30, 2020.

***Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 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.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

NOTE 14: **DEFINED BENEFIT OPEB PLANS** (Continued)

**F. Actuarial Assumptions – STRS** (Continued)

	<u>1% Decrease</u> (6.45%)	<u>Current</u> Discount Rate (7.45%)	<u>1% Increase</u> (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,268,367	\$ 1,457,785	\$ 1,618,498
	<u>1% Decrease</u>	<u>Current</u> Trend Rate	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 1,608,522	\$ 1,457,785	\$ 1,274,164

***Benefit Term Changes Since the Prior Measurement Date*** There was no change to the claims 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 15: **BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the Budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the Budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to constrain that portion of the applicable appropriation, total outstanding encumbrances (Budgetary basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budgetary basis).
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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**NOTE 15: BUDGETARY BASIS OF ACCOUNTING** (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance	
GAAP Basis	\$ 1,537,794
Net Adjustment for Revenue Accruals	(1,066,053)
Net Adjustments for Expenditure Accruals	1,359,538
Funds with Separate Legally Adopted Budgets	(3,241)
Adjustment for Encumbrances	(266,406)
Budget Basis	\$ 1,561,632

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the Emergency Levy Fund, the Public-School Support Fund, the Special Trust Fund, the Other Grants Fund.

**NOTE 16: CONTINGENCIES**

**A. Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**C. State Foundation Funding**

The District's 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. All adjustment have made by ODE as of the date of this report.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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NOTE 17: **SET-ASIDES**

The 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 fiscal 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 change in the fiscal year-end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2020	\$ -
Current Year Set-aside Requirement	317,560
Current Year Qualifying Expenditures	<u>(383,626)</u>
Total	<u>\$ (66,066)</u>
Balance carried forward to Fiscal Year 2022	<u>\$ -</u>
Set-aside Balance as of June 30, 2021	<u><u>\$ -</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirements for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(CONTINUED)**

NOTE 18: **FUND BALANCES**

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>			
Materials and Supplies Inventory	\$ 50,503	\$ 7,981	\$ 58,484
Unclaimed Funds	4,370	-	4,370
<i>Total Nonspendable</i>	<u>54,873</u>	<u>7,981</u>	<u>62,854</u>
<i>Restricted for</i>			
Debt Service	-	519,426	519,426
Food Service Operations	-	126,553	126,553
Scholarships	-	1,954,650	1,954,650
Endowment	-	73,492	73,492
Non-public Schools	-	3,826	3,826
Student Wellness and Success	-	358,477	358,477
Student Activities	-	108,506	108,506
Safety and Security Levy	-	430,912	430,912
Other Purposes	-	29,414	29,414
<i>Total Restricted</i>	<u>-</u>	<u>3,605,256</u>	<u>3,605,256</u>
<i>Committed to</i>			
Capital Improvements	-	56,475	56,475
Healthcare Payments	4,325	-	4,325
<i>Total Committed</i>	<u>4,325</u>	<u>56,475</u>	<u>60,800</u>
<i>Assigned to</i>			
Student Instruction	55,648	-	55,648
Student and Staff Support	148,595	-	148,595
Public School Support	27,642	-	27,642
Special Programs	3,183	-	3,183
Other Purposes	17,285	-	17,285
<i>Total Assigned</i>	<u>252,353</u>	<u>-</u>	<u>252,353</u>
<i>Unassigned (Deficit)</i>	<u>16,894,133</u>	<u>(9,886)</u>	<u>16,884,247</u>
<b>Total Fund Balances</b>	<u><b>\$ 17,205,684</b></u>	<u><b>\$ 3,659,826</b></u>	<u><b>\$ 20,865,510</b></u>

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
 (CONTINUED)**

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**NOTE 19: CONSTRUCTION AND OTHER COMMITMENTS**

**A. Construction Commitments**

As of June 30, 2021, the District did have any significant construction commitments outstanding.

**B. Other Commitments**

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

	Outstanding Encumbrances
General Fund	\$ 204,242
Other Governmental Funds	53,873
	\$ 258,115

**NOTE 20: COVID-19**

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

**NOTE 21: SUBSEQUENT NOTE DISCLOSURE**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$638,883 in revenue and \$1,145,010 expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
 LAST EIGHT FISCAL YEARS (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.0888522%	0.0882653%	0.0928685%	0.0950988%	0.0995570%	0.1059947%	0.111608%	0.111608%
District's Proportionate Share of the Net Pension Liability	\$ 5,876,872	\$ 5,281,068	\$ 5,318,751	\$ 5,681,944	\$ 7,286,654	\$ 6,048,160	\$ 5,648,417	\$ 6,636,970
District's Covered Payroll	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279	\$ 3,183,126	\$ 3,245,967	\$ 3,470,549
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.01%	174.53%	152.13%	184.75%	229.19%	190.01%	174.01%	191.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 LAST EIGHT FISCAL YEARS (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.08294656%	0.07930018%	0.08046443%	0.08211413%	0.08199609%	0.08954723%	0.08442251%	0.08442251%
District's Proportionate Share of the Net Pension Liability	\$ 20,070,116	\$ 17,536,758	\$ 17,692,322	\$ 19,506,388	\$ 27,446,563	\$ 24,748,235	\$ 20,534,476	\$ 24,460,534
District's Covered Payroll	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436	\$ 9,061,786	\$ 8,699,392	\$ 8,713,769
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.99%	190.60%	186.17%	223.37%	306.14%	273.11%	236.04%	280.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.31%	75.29%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSION  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 457,566	\$ 437,625	\$ 408,488	\$ 471,985	\$ 430,575	\$ 445,099	\$ 419,536	\$ 449,891	\$ 480,324	\$ 452,079
Contributions in Relation to the Contractually Required Contribution	<u>(457,566)</u>	<u>(437,625)</u>	<u>(408,488)</u>	<u>(471,985)</u>	<u>(430,575)</u>	<u>(445,099)</u>	<u>(419,536)</u>	<u>(449,891)</u>	<u>(480,324)</u>	<u>(452,079)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279	\$ 3,183,126	\$ 3,245,967	\$ 3,470,549	\$ 3,361,182
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSION  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 LAST TEN FISCAL YEARS (1)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 1,421,182	\$ 1,433,646	\$ 1,288,136	\$ 1,330,492	\$ 1,222,591	\$ 1,255,161	\$ 1,268,650	\$ 1,130,921	\$ 1,132,790	\$ 1,190,929
Contributions in Relation to the Contractually Required Contribution	<u>(1,421,182)</u>	<u>(1,433,646)</u>	<u>(1,288,136)</u>	<u>(1,330,492)</u>	<u>(1,222,591)</u>	<u>(1,255,161)</u>	<u>(1,268,650)</u>	<u>(1,130,921)</u>	<u>(1,132,790)</u>	<u>(1,190,929)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered Payroll	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436	\$ 9,061,786	\$ 8,699,392	\$ 8,713,769	\$ 9,160,992
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
 LAST FIVE FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.0915962%	0.0907607%	0.0945515%	0.0968664%	0.1009794%
District's Proportionate Share of the Net OPEB Liability	\$ 1,990,685	\$ 2,282,440	\$ 2,623,114	\$ 2,599,640	\$ 2,878,286
District's Covered Payroll	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	63.68%	75.43%	75.03%	84.53%	90.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY/ASSET  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 LAST FIVE FISCAL YEARS (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability/Asset	0.08294656%	0.07930018%	0.08046443%	0.08211413%	0.08199609%
District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (1,457,785)	\$ (1,313,401)	\$ (1,292,982)	\$ 3,203,789	\$ 4,385,172
District's Covered Payroll	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436
District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-14.24%	-14.27%	-13.61%	36.69%	48.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	182.13%	174.74%	176.00%	47.11%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information



**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - OPEB  
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution (1)	\$ 62,311	\$ 55,979	\$ 71,961	\$ 70,056	\$ 62,977	\$ 51,479	\$ 26,102	\$ 61,570	\$ 62,039	\$ 67,426
Contributions in Relation to the Contractually Required Contribution	(62,311)	(55,979)	(71,961)	(70,056)	(62,977)	(51,479)	(26,102)	(61,570)	(62,039)	(67,426)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
District Covered Payroll	\$ 3,268,329	\$ 3,125,893	\$ 3,025,837	\$ 3,496,185	\$ 3,075,536	\$ 3,179,279	\$ 3,183,126	\$ 3,245,967	\$ 3,470,549	\$ 3,361,182
OPEB Contributions as a Percentage of Covered Payroll (1)	1.91%	1.79%	2.38%	2.00%	2.05%	1.62%	0.82%	1.90%	1.79%	2.01%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - OPEB  
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO  
 LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ -	\$ -	\$ -					\$ 86,994	\$ 87,138	\$ 91,610
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	(86,994)	(87,138)	(91,610)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered Payroll	\$ 10,151,300	\$ 10,240,329	\$ 9,200,971	\$ 9,503,514	\$ 8,732,793	\$ 8,965,436	\$ 9,061,786	\$ 8,699,392	\$ 8,713,769	\$ 9,160,992
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**VERMILION LOCAL SCHOOL DISTRICT**  
**ERIE COUNTY, OHIO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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***Net Pension Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2021.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018-2020.

***Changes in assumptions- SERS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

***Changes in benefit terms – STRS***

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2021.

***Changes in assumptions – STRS***

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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*Net OPEB Liability*

*Changes of benefit terms- SERS*

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2020.

*Changes in Assumptions – SERS*

Amounts reported for fiscal years 2018-2021 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare

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

Pre - Medicare

Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

*Changes in Assumptions – STRS*

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

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2020 and 2021, the health care cost trend rates were modified.

***Changes in Benefit Terms – STRS***

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 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.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/  <i>Pass-Through Grantor/            Program or Cluster Title</i></b>	Assistance Listing Number	Pass-Through Grantor Number	Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	044594-05PU-16	\$ 130,703	\$ 0
School Breakfast Program - COVID-19	10.553	N/A	22,036	0
National School Lunch Program	10.555	044594-LLP4-16	404,646	28,263
National School Lunch Program - COVID-19	10.555	N/A	28,133	0
Total Child Nutrition Cluster			<u>585,518</u>	<u>28,263</u>
<b>Total U.S. Department of Agriculture</b>			<u>585,518</u>	<u>28,263</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed through Ohio Department of Education</i>				
Title I - Grants to Local Educational Agencies	84.010	2021	<u>304,397</u>	<u>0</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	044594-6BSF-21	419,859	0
Special Education Preschool Grant	84.173	N/A	22,559	0
Total Special Education Cluster			<u>442,418</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	044594-TRSI-21	<u>83,295</u>	<u>0</u>
Student Support and Academic Enrichment Program	84.424	044595-SFSF	<u>44,446</u>	<u>0</u>
Education Stabilization Fund - ESSER I	84.425D	2021	261,774	0
Education Stabilization Fund - ESSER II	84.425D	2022	1,066,520	0
<i>Total ALN #84.425</i>			<u>1,328,294</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>2,202,850</u>	<u>0</u>
<b><u>U.S. Department of the Treasury</u></b>				
<i>Passed through Ohio Department of Education</i>				
Coronavirus Relief Fund - Broadband Ohio Connectivity Grant	21.019	2021	47,280	0
Coronavirus Relief Fund - CRF Rural and Small Town Grant	21.019	2021	94,422	0
<i>Total ALN #21.019</i>			<u>141,702</u>	<u>0</u>
<b>Total U.S. Department of the Treasury</b>			<u>141,702</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,930,070</u>	<u>\$ 28,263</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**VERMILION LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Vermilion Local School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented 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 Vermilion Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Vermilion Local School District.

**NOTE 2: 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

Vermilion Local School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE 5: NONCASH SUPPORT**

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food supplies.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of Board of Education  
Vermilion Local School District  
Vermilion, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermilion Local School District, Erie 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, and have issued our report thereon dated December 22, 2021, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District, and the school foundation aid received from the State of Ohio will be funded through the direct funding model.

***Internal Control Over Financial Reporting***

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

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



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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 22, 2021

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of Board of Education  
Vermilion Local School District  
Vermilion, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the Vermilion Local School District, Erie County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance 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 express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Vermilion Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 22, 2021

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 UNIFORM GUIDANCE  
 JUNE 30, 2021**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2021(i)	Type of Financial Statement Opinion	Unmodified
2021(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2021(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2021(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2021(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2021(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2021(v)	Type of Major Programs' Compliance Opinions	Unmodified
2021(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2021(vii)	Major Programs (list):  Education Stabilization Fund - ESSER I & II - ALN #84.425D	
2021(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others less than \$750,000
2021(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**VERMILION LOCAL SCHOOL DISTRICT  
 ERIE COUNTY, OHIO  
 SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The prior audit report, as of June 30, 2020, included an instance of noncompliance.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2020-001	Appropriations Exceed Estimated Resources	Corrected	None

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**VERMILION LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/15/2022**

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](http://www.ohioauditor.gov)