

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**



SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Auburn Vocational School District
8140 Auburn Road
Concord Township, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Auburn Vocational School District, Lake County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. 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 Auburn Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2023

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**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Vocational School District, Ohio (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during 2022, the College adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 23, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 23, 2022

**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The discussion and analysis of Auburn Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- Net position of governmental activities increased \$3,040,854 from 2021.
- General revenues accounted for \$10,528,317 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,500,123 or 25% of total revenues of \$14,028,440.
- The District had \$10,987,586 in expenses related to governmental activities; \$3,500,123 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,528,317 were also used to provide for these programs.

Overview of the 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. The General Fund, Construction Fund and Adult Education Fund are the major funds of the District.

Government-wide Financial Statements

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 2022?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both

**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

financial and non-financial. 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 Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

- **Governmental Activities** – The District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Fund Financial Statements

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports 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.

Governmental Funds 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* that can readily be converted to cash. The governmental fund 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 financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District does not have any fiduciary funds.

The District as a Whole

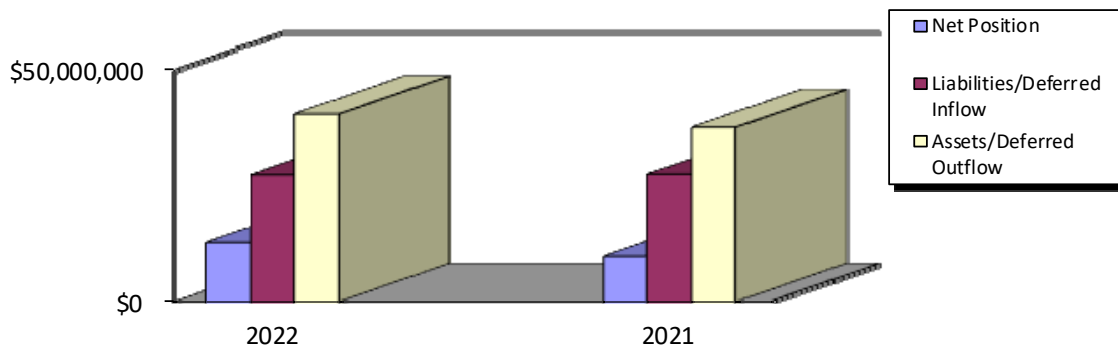
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2022 compared to 2021:

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**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2022	2021-Restated
Assets:		
Current and Other Assets	\$19,585,061	\$18,512,113
Net OPEB Asset	664,151	569,640
Capital Assets	17,851,958	17,869,595
Total Assets	38,101,170	36,951,348
Deferred Outflows of Resources:		
OPEB	228,312	239,964
Pension	2,093,785	1,780,928
Total Deferred Outflows of Resources	2,322,097	2,020,892
Liabilities:		
Other Liabilities	2,251,370	2,495,913
Long-Term Liabilities	11,911,513	17,617,872
Total Liabilities	14,162,883	20,113,785
Deferred Inflows of Resources:		
Property Taxes	5,757,015	5,322,749
Leases	1,346,179	1,446,850
OPEB	1,416,809	1,401,785
Pension	4,758,402	745,946
Total Deferred Inflows of Resources	13,278,405	8,917,330
Net Position:		
Net Investment in Capital Assets	13,004,860	12,981,134
Restricted	310,837	310,408
Unrestricted	(333,718)	(3,350,417)
Total Net Position	\$12,981,979	\$9,941,125



Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2022, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$12,981,979.

At year-end, capital assets represented 47% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Net investment in capital assets at June 30, 2022, totaled \$13,004,860. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$310,837 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased due to an increase in equity in pooled cash and investments, in fiscal year 2022 as compared to fiscal year 2021. Capital assets decreased due to depreciation being greater than additions for the year. Total liabilities decreased due to the changes in net pension and OPEB liabilities.

Table 2 shows the changes in net position for fiscal years 2022 and 2021.

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**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$1,739,567	\$1,579,253
Operating Grants and Contributions	1,760,556	2,011,436
Total Program Revenues	3,500,123	3,590,689
General Revenues:		
Property Taxes	6,951,025	7,069,711
Grants and Entitlements	3,296,704	3,015,469
Other	280,588	304,353
Total General Revenues	10,528,317	10,389,533
Total Revenues	14,028,440	13,980,222
Program Expenses:		
Instruction	5,505,024	7,296,630
Support Services:		
Pupil and Instructional Staff	1,060,469	1,260,527
School Administrative, General		
Administration, Fiscal and Business	2,128,955	2,152,650
Operations and Maintenance	1,630,290	1,680,406
Pupil Transportation	9,950	7,978
Central	269,249	162,607
Operation of Non-Instructional Services	172,565	186,593
Extracurricular Activities	52,067	51,944
Interest and Fiscal Charges	159,017	217,830
Total Program Expenses	10,987,586	13,017,165
Changes in Net Position	3,040,854	963,057
Net Position - Beginning of Year - Restated	9,941,125	8,978,068
Net Position - End of Year	\$12,981,979	\$9,941,125

The District revenues came from mainly two sources. Property taxes levied for general purposes and debt service, as well as grants and entitlements comprised 73% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

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Auburn Vocational School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

Property taxes made up 49.5% of governmental activities for the District in fiscal year 2022. The District’s reliance upon tax revenues is demonstrated in the following graph:

Governmental Activities
Revenue Sources

Revenue Sources	2022	Percent of Total
General Grants	\$3,296,704	23.5%
Program Revenues	3,500,123	25.0%
General Tax Revenues	6,951,025	49.5%
Investment Earnings	(6,675)	0.0%
Other Revenues	287,263	2.0%
	<u>\$14,028,440</u>	<u>100.0%</u>



Instruction comprises 50% of governmental program expenses. Support services expenses were 48% of governmental program expenses. All other expenses were 2%.

Property tax revenues decreased from the prior year mainly due to a decrease in property tax advances available. Total expenses decreased due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction	\$5,505,024	\$7,296,630	(\$3,321,130)	(\$4,892,001)
Support Services:				
Pupil and Instructional Staff	1,060,469	1,260,527	(783,571)	(947,402)
School Administrative, General				
Administration, Fiscal and Business	2,128,955	2,152,650	(1,551,822)	(1,715,479)
Operations and Maintenance	1,630,290	1,680,406	(1,516,575)	(1,414,351)
Pupil Transportation	9,950	7,978	(9,950)	(7,978)
Central	269,249	162,607	(265,799)	(162,607)
Operation of Non-Instructional Services	172,565	186,593	113,342	(51,243)
Extracurricular Activities	52,067	51,944	7,059	(17,585)
Interest and Fiscal Charges	159,017	217,830	(159,017)	(217,830)
Total Expenses	<u>\$10,987,586</u>	<u>\$13,017,165</u>	<u>(\$7,487,463)</u>	<u>(\$9,426,476)</u>

**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The District's Funds

The District has three major funds: the General Fund, the Construction Fund, and the Adult Education Fund. Assets of the general fund comprised \$18,004,616 (88%), Assets of the Construction fund comprised \$1,826,396 (9%), and assets of the adult education fund comprised \$209,062 (1%) of the total \$20,413,849 governmental funds' assets.

General Fund: Fund balance at June 30, 2022 was \$9,759,075 including \$8,872,497 of unassigned balance. The primary reason for the increase in fund balance is due to the decrease in instructional services when compared to 2021.

Adult Education Fund: Fund balance at June 30, 2022 was (\$571,016), which is a decrease of \$101,316 from 2021. The primary reason for the decrease in fund balance was due to an increase in support services expense when compared to the prior year.

Construction Fund: Fund balance at June 30, 2022 was \$480,217, which is a decrease of \$656,617 from 2021. The primary reason for the decrease in fund balance was due to a decrease capital outlay when compared to the prior year.

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.

During the course of fiscal year 2022, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$9,908,924, compared to final budget estimates of \$9,568,037. Of this \$340,887 difference, most was due to overestimating taxes and intergovernmental revenues in the original budget.

For the General Fund, the original budget basis expenditures were \$8,452,918 compared to final budget estimates of \$8,117,497. The difference between the original budget basis and final budget was due to overestimating instructional and operations and maintenance expenditures.

The District's ending unobligated actual fund balance for the general fund was \$9,926,068.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2022, the District had \$17,851,958 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal 2022 balances compared to 2021:

Auburn Vocational School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

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

	Governmental Activities	
	2022	2021
Land	\$2,108,587	\$2,108,587
Construction in Progress	0	207,953
Land Improvements	806,438	866,035
Buildings and Improvements	13,513,093	13,369,408
Furniture, Fixtures and Equipment	1,341,000	1,257,508
Vehicles	82,840	60,104
Total Net Capital Assets	<u>\$17,851,958</u>	<u>\$17,869,595</u>

The overall decrease in capital assets is due to current year depreciation expense exceeding current year additions.

See Note 8 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2022, the District had \$5,271,000 in outstanding debt, \$724,000 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2022	2021
Bonds Payable:		
2011 School Improvement Bond	\$890,000	\$1,095,000
2012 School Improvement Bond	850,000	1,010,000
2012 School Improvement Bond, Series B	235,000	280,000
2018 School Improvement Bond	1,375,000	1,475,000
2021 School Improvement Bond	1,046,000	1,168,000
Notes Payable	875,000	960,000
	<u>\$5,271,000</u>	<u>\$5,988,000</u>

See Notes 18 and 19 to the basic financial statements for further details on the District’s long term liabilities.

For the Future

The District has a strong financial position. The Board of Education and the administration closely monitor the District’s revenues and expenditures in accordance with its financial forecast and the District’s Continuous Improvement Plan. The District’s financial future is not without challenges, though.

**Auburn Vocational School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the District periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions.

Financial aid from the State of Ohio through the State Foundation Program has not been a major source of operating revenue for the District. Because the District is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the District's administration and the District Finance Committee continue to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration and the District's Task Force are currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers 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 any questions about this report or need additional financial information, contact the Treasurer, at Auburn Vocational School District, 8140 Auburn Road, Concord Township, Ohio 44077.

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Auburn Vocational School District, Ohio
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$11,077,927
Receivables:	
Taxes	7,091,131
Accounts	17,740
Intergovernmental	31,967
Accrued Interest	3,675
Leases	1,359,467
Prepaid Items	3,154
Net OPEB Asset	664,151
Nondepreciable Capital Assets	2,108,587
Depreciable Capital Assets, Net	<u>15,743,371</u>
 Total Assets	 <u>38,101,170</u>
 Deferred Outflows of Resources:	
Pension	2,093,785
OPEB	<u>228,312</u>
 Total Deferred Outflows of Resources	 <u>2,322,097</u>
 Liabilities:	
Accounts Payable	136,751
Accrued Interest Payable	11,859
Accrued Wages	616,714
Accrued Liabilities Payable	1,486,046
Long-Term Liabilities:	
Due Within One Year	746,001
Due In More Than One Year:	
Net Pension Liability	5,419,760
Net OPEB Liability	705,994
Other Amounts	<u>5,039,758</u>
 Total Liabilities	 <u>14,162,883</u>
 Deferred Inflows of Resources:	
Property Taxes	5,757,015
Leases	1,346,179
Pension	4,758,402
OPEB	<u>1,416,809</u>
 Total Deferred Inflows of Resources	 <u>13,278,405</u>
 Net Position:	
Net Investment in Capital Assets	13,004,860
Restricted for:	
Capital Projects	53,990
Locally Funded Programs	79,243
Federally Funded Programs	10,590
Food Service Operations	83,851
Student Activities	72,905
Other Purposes	10,258
Unrestricted	<u>(333,718)</u>
 Total Net Position	 <u>\$12,981,979</u>

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Special	\$91,795	\$0	\$0	(\$91,795)
Vocational	3,960,119	203,393	394,100	(3,362,626)
Adult/Continuing	1,434,632	803,403	782,998	151,769
Other	18,478	0	0	(18,478)
Support Services:				
Pupil	924,613	70,837	201,836	(651,940)
Instructional Staff	135,856	0	4,225	(131,631)
Board of Education	142,663	0	0	(142,663)
Administration	1,516,325	413,050	117,029	(986,246)
Fiscal	469,924	36,666	10,388	(422,870)
Business	43	0	0	(43)
Operations and Maintenance	1,630,290	56,352	57,363	(1,516,575)
Pupil Transportation	9,950	0	0	(9,950)
Central	269,249	3,450	0	(265,799)
Other Non-Instructional Services	172,565	93,290	192,617	113,342
Extracurricular Activities	52,067	59,126	0	7,059
Interest and Fiscal Charges	159,017	0	0	(159,017)
Totals	\$10,987,586	\$1,739,567	\$1,760,556	(7,487,463)

General Revenues:

Property Taxes Levied for:	
General Purposes	6,187,632
Debt Service Purposes	763,393
Grants and Contributions not restricted	3,296,704
Investment Earnings	(6,675)
Other Revenues	58,751
Gain on the Sale of Property Held for Resale	228,512
Total General Revenues	10,528,317
Change in Net Position	3,040,854
Net Position - Beginning of Year, Restated	9,941,125
Net Position - End of Year	\$12,981,979

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2022

	General	Adult Education	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$10,071,557	\$197,696	\$466,929	\$341,745	\$11,077,927
Receivables:					
Taxes	7,091,131	0	0	0	7,091,131
Accounts	6,402	11,338	0	0	17,740
Intergovernmental	0	0	0	31,967	31,967
Accrued Interest	3,675	0	0	0	3,675
Interfund	828,788	0	0	0	828,788
Leases	0	0	1,359,467	0	1,359,467
Prepaid Items	3,063	28	0	63	3,154
Total Assets	18,004,616	209,062	1,826,396	373,775	20,413,849
Liabilities:					
Accounts Payable	97,815	19,624	0	19,312	136,751
Accrued Wages	599,680	5,454	0	11,580	616,714
Interfund Payable	0	755,000	0	73,788	828,788
Accrued Liabilities Payable	1,486,046	0	0	0	1,486,046
Total Liabilities	2,183,541	780,078	0	104,680	3,068,299
Deferred Inflows of Resources:					
Property Taxes	6,060,697	0	0	0	6,060,697
Grants	0	0	0	31,967	31,967
Leases	0	0	1,346,179	0	1,346,179
Investment Earnings	1,303	0	0	0	1,303
Total Deferred Inflows of Resources	6,062,000	0	1,346,179	31,967	7,440,146
Fund Balances:					
Nonspendable	763,695	28	0	63	763,786
Restricted	0	0	480,217	248,043	728,260
Committed	0	0	0	55,158	55,158
Assigned	122,883	0	0	0	122,883
Unassigned	8,872,497	(571,044)	0	(66,136)	8,235,317
Total Fund Balances	9,759,075	(571,016)	480,217	237,128	9,905,404
Total Liabilities, Deferred Inflows and Fund Balances	\$18,004,616	\$209,062	\$1,826,396	\$373,775	\$20,413,849

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2022

Total Governmental Fund Balance		\$9,905,404
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.		
Capital assets used in the operation of Governmental Funds		17,851,958
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	303,682	
Interest	1,303	
Intergovernmental	31,967	
		<u>336,952</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(11,859)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(514,759)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	2,093,785	
Deferred inflows of resources related to pensions	(4,758,402)	
Deferred outflows of resources related to OPEB	228,312	
Deferred inflows of resources related to OPEB	(1,416,809)	
		<u>(3,853,114)</u>
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	664,151	
Net Pension Liability	(5,419,760)	
Net OPEB Liability	(705,994)	
Other Amounts	(5,271,000)	
		<u>(10,732,603)</u>
Net Position of Governmental Activities		<u><u>\$12,981,979</u></u>

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Adult Education	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	\$6,236,576	\$0	\$0	\$763,393	\$6,999,969
Tuition and Fees	47,722	1,348,330	0	0	1,396,052
Investment Earnings	(38,535)	0	32,617	0	(5,918)
Intergovernmental	3,349,794	382,019	0	1,320,464	5,052,277
Extracurricular Activities	0	0	0	62,576	62,576
Charges for Services	23,071	0	100,671	5,219	128,961
Other Revenues	104,501	86,738	0	19,490	210,729
Total Revenues	9,723,129	1,817,087	133,288	2,171,142	13,844,646
Expenditures:					
Current:					
Instruction:					
Special	106,171	0	0	0	106,171
Vocational	3,708,439	0	0	342,781	4,051,220
Adult/Continuing	0	1,125,433	0	460,870	1,586,303
Other	0	15,299	0	3,179	18,478
Support Services:					
Pupil	731,644	101,776	0	219,520	1,052,940
Instructional Staff	350	0	0	5,671	6,021
Board of Education	147,299	0	0	0	147,299
Administration	1,335,679	589,778	0	0	1,925,457
Fiscal	503,082	51,730	0	0	554,812
Business	43	0	0	0	43
Operations and Maintenance	1,267,350	34,387	0	45,710	1,347,447
Pupil Transportation	9,625	0	0	0	9,625
Central	236,351	0	0	2,770	239,121
Other Non-Instructional Services	29,795	0	0	153,594	183,389
Extracurricular Activities	0	0	0	52,067	52,067
Capital Outlay	4,255	0	675,637	208,242	888,134
Debt Service:					
Principal Retirement	0	0	85,000	632,000	717,000
Interest and Fiscal Charges	0	0	29,268	131,393	160,661
Total Expenditures	8,080,083	1,918,403	789,905	2,257,797	13,046,188
Excess of Revenues Over (Under) Expenditures	1,643,046	(101,316)	(656,617)	(86,655)	798,458
Other Financing Sources (Uses):					
Gain on the Sale of Property Held for Resale	228,512	0	0	0	228,512
Transfers In	0	0	0	102,556	102,556
Transfers (Out)	(102,556)	0	0	0	(102,556)
Total Other Financing Sources (Uses)	125,956	0	0	102,556	228,512
Net Change in Fund Balance	1,769,002	(101,316)	(656,617)	15,901	1,026,970
Fund Balance - Beginning of Year, Restated	7,990,073	(469,700)	1,136,834	221,227	8,878,434
Fund Balance - End of Year	\$9,759,075	(\$571,016)	\$480,217	\$237,128	\$9,905,404

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balance - Total Governmental Funds \$1,026,970

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

Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,065,220	
Depreciation Expense	<u>(1,082,857)</u>	(17,637)

Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employer contributions are reported as pension and OPEB expense.

Pension Contributions	764,836	
Pension Expense	437,345	
OPEB Contributions	21,277	
OPEB Expense	<u>133,425</u>	1,356,883

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

Delinquent Property Taxes	(48,944)	
Interest	(757)	
Intergovernmental	<u>4,983</u>	(44,718)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 717,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 1,644

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		<u>712</u>
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Change in Net Position of Governmental Activities \$3,040,854

See accompanying notes to the basic financial statements.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 1 – Description of the District

The Auburn Vocational School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. This District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2022 was 682. The District employed 46 certificated employees and 19 non-certificated full-time employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of only the funds of those organizational entities for which its elected governing body is financially accountable. For the District, this includes education, food service and maintenance of the District facilities.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

The District is associated with an insurance purchasing pool, two jointly governed organizations, and claims servicing pool. These organizations are:

Insurance Purchasing Pools:

Ohio School Council Sheakley UniComp Workers’ Compensation Group Rating Program

Jointly Governed Organizations:

Ohio Schools Council

Lake Geauga Computer Association

Claims Servicing Pool:

Health Care Benefits Program of Lake County Schools Council

These organizations are presented in Notes 9, 13, and 14.

Note 2 – Summary of Significant Accounting Policies

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

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Basis of Presentation

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

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

Fund Financial Statements

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

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. During the fiscal year, the District had no proprietary funds.

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 and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

General Fund – The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Adult Education Fund – The adult education special revenue fund is used to account for grants and tuition associated with providing education to adults.

Construction Fund – The construction fund, a capital projects fund is used to account for the construction of buildings and improvements.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and 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 has no fiduciary funds.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange 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 6). 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 fiscal 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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension related information and OPEB plans, see Notes 10 and 11.

In addition to liabilities, the statement of net position reports 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, grants, leases, pension, OPEB plans and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance the fiscal year

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2023 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

Expenses/Expenditures

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

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

Cash and 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. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

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 an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during the fiscal year 2022 amounted to (\$38,535) credited to the general fund and \$32,617 credited to the construction fund.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws or other governments or imposed by enabling legislation.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The District had \$3,154 of prepaid items for fiscal year 2022.

Leased Assets

A leased asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received. The amortization period of the leased asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. At the termination of the lease, the leased asset and associated lease liability are removed from the books of the lessee. The difference between the two amounts is accounted for as a gain or loss at that time.

Capital Assets

All capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	5 - 20 years
Building and Building Improvements	10 - 50 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years
Library and Text Books	6 years

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Pensions/Other Postemployment Benefits (OPEB)

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

The current accounting standard requires School Districts to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the District. However, the District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current 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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Fund Balance

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

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

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

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

Auburn Vocational School District, Ohio
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For the Fiscal Year Ended June 30, 2022

Assigned – Assigned fund balance classifications are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. 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 or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Interfund Activity

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

Estimates

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

Note 3 – 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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Auburn Vocational School District, Ohio
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Fund Balances	General	Adult Education	Construction Fund	Other Governmental Funds	Total
Nonspendable on:					
Unclaimed Monies	\$5,632	\$0	\$0	\$0	\$5,632
Prepays	3,063	28	0	63	3,154
Long Term Advances	755,000	0	0	0	755,000
Total Nonspendable	763,695	28	0	63	763,786
Restricted for:					
Lake County Family & Children					
Wellness Block	0	0	0	79,243	79,243
Aspire Program	0	0	0	4,491	4,491
Scholarships	0	0	0	5,767	5,767
Student Managed Activities	0	0	0	72,905	72,905
Lunchroom	0	0	0	85,637	85,637
Construction Fund	0	0	480,217	0	480,217
Total Restricted	0	0	480,217	248,043	728,260
Committed to:					
Capital Projects	0	0	0	55,158	55,158
Total Committed	0	0	0	55,158	55,158
Assigned to:					
Public Schools	9,432	0	0	0	9,432
Encumbrances	113,451	0	0	0	113,451
Total Assigned	122,883	0	0	0	122,883
Unassigned	8,872,497	(571,044)	0	(66,136)	8,235,317
Total Fund Balance	\$9,759,075	(\$571,016)	\$ 480,217	\$237,128	\$9,905,404

Note 4 – Accountability

The following funds had a deficit fund balance as of June 30, 2022:

Fund	Amount
Major Fund:	
Adult Education	\$571,016
Other Governmental Funds:	
Vocational Education Carl D Perkins	61,429
Adult Basic Education	4,667

The general fund is responsible to cover deficit fund balances by means of a transfer or advance. However, this is done when cash is needed rather than when accruals occur.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

Auburn Vocational School District, Ohio
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7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. Except as noted above, 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.

Cash on hand – At fiscal year end, the District had \$537 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash investments.

Deposits

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. As of June 30, 2022, \$8,320,025 of the District's bank balance of \$8,596,373 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be 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% 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% of the deposits being secured or a rate set by the Treasurer of State.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or a specific collateral held at the Federal Reserve Bank in the name of the District.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Investments

Investments are reported at fair value. As of June 30, 2022, the District had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CDs	\$1,662,952	Level 2	1.10
Municipal Bonds	251,610	Level 2	0.79
Taxable Municipal Bonds	172,093	Level 2	2.88
STAR Ohio	30,149	N/A	0.10
Money Market Funds	107,851	N/A	0.00
Federal Home Loan Mortgage Corporation	45,845	Level 2	3.96
Federal Home Loan Bank - Discount Note	238,981	Level 2	2.05
Total Fair Value	<u>\$2,509,481</u>		
Portfolio Weighted Average Maturity			1.27

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. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2022. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk – It is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years.

Credit Risk – It is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in Municipal Bonds were rated AAA by Standard & Poor's and Fitch ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAAM by Standard and Poor's. Negotiable CDs and Money Market Funds were not rated.

Concentration of Credit Risk – The District's investment policy requires investments to be diversified to reduce the risk of loss. The District's policy allows investments in U.S. Agencies or instrumentalities. The District has invested 66% in negotiable CDs, 10% in federal home Loan Bank, 2% in federal home loan mortgage corporation, 7% in taxable municipal bonds, 10% in municipal bonds, 4% in money market funds, and 1% in STAR Ohio.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 6 – 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, public utility and tangible personal property (used for public utility) located in the District. Real property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Lake County, Geauga County and Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2022 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 – property taxes.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	<u>Lake County</u>	<u>Gauga County</u>	<u>Trumbull County</u>
Real Property			
Residential/agricultural	\$2,345,232,310	\$2,040,875,210	\$4,750,690
Other	337,756,370	313,075,800	122,490
Tangible and Public Utility Personal			
Public utilities	<u>171,991,740</u>	<u>79,813,310</u>	<u>49,230</u>
Total	<u><u>\$2,854,980,420</u></u>	<u><u>\$2,433,764,320</u></u>	<u><u>\$4,922,410</u></u>

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 7 – Receivables

Receivables at June 30, 2022 consisted of taxes, accounts, interfund, intergovernmental grants, leases, and accrued interest. 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 fiscal year guarantee of Federal funds.

Note 8 – Capital Assets and Property Held for Resale

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,108,587	\$0	\$0	\$2,108,587
Construction in Progress	207,953	0	207,953	0
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,894,783	0	0	1,894,783
Buildings and Improvements	26,303,955	904,906	0	27,208,861
Furniture, Fixtures and Equipment	7,716,890	333,074	0	8,049,964
Vehicles	248,982	35,193	0	284,175
Totals at Historical Cost	<u>38,481,150</u>	<u>1,273,173</u>	<u>207,953</u>	<u>39,546,370</u>
Less Accumulated Depreciation:				
Land Improvements	1,028,748	59,597	0	1,088,345
Building Improvements	12,934,547	761,221	0	13,695,768
Furniture, Fixtures and Equipment	6,459,382	249,582	0	6,708,964
Vehicles	188,878	12,457	0	201,335
Total Accumulated Depreciation	<u>20,611,555</u>	<u>1,082,857</u>	<u>0</u>	<u>21,694,412</u>
Governmental Activities Capital Assets, Net	<u>\$17,869,595</u>	<u>\$190,316</u>	<u>\$207,953</u>	<u>\$17,851,958</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$486,311
Adult Education	6,822
Support Services:	
Pupils	4,331
Instructional Staff	129,835
School Administration	2,707
Fiscal	217
Operations and Maintenance	406,721
Pupil Transportation	325
Central	41,257
Operation of Non-Instructional Services	4,331
Total Depreciation Expense	<u>\$1,082,857</u>

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Property Held for Resale

Property held for resale was purchased by the District for housing projects built by the District students. Proceeds from the sale of the land and house will be used for subsequent projects. The sale date of the property cannot be estimated, therefore is included as a long-term asset. All the property held for resale was sold during 2022.

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Property Held for Resale	\$80,238	\$0	\$80,238	\$0

Note 9 – Risk Management

Property and Liability

The District has contracted with an independent third party for their property and casualty insurance program. The program includes property insurance (which includes flood, earthquake, inland marine, crime and boiler and machinery), general liability insurance with limits of \$1,000,000 each occurrence and \$2,000,000 aggregate and sexual misconduct and molestation insurance and school leaders E&O insurance with limits of \$1,000,000 each occurrence and aggregate. The auto liability insurance coverage has limits of \$1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an umbrella liability insurance policy with limits of \$5,000,000 each occurrence and \$5,000,000 aggregate.

The liability policy insures the District, the Board, the board members, administrators, employees, and volunteers with respect to their duties in connection with the District.

Settled claims have not exceeded the property and casualty coverage in any of the last three years. There has not been a reduction in coverage from the prior year.

Insurance Purchasing Pool (Workers' Compensation)

The District participates in the Ohio School Council Sheakley UniComp Experience Rating Program (GERP), an insurance rating pool. The intent of the GERP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GERP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GERP. Each participant pays its workers' compensation premium to the State based on the rate for the GERP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GERP.

Note 10 - Defined Benefit Pension Plans

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

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

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

Age and service requirements for retirement are as follows:

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.20% for the first thirty years of service and 2.50% 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. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.50% and with a floor of 0.00%. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.50% COLA for calendar year 2021 and 2.50% for 2022.

Funding Policy

Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$185,307 for fiscal year 2022. Of this amount \$30,658 is reported as accrued wages and benefits.

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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0.00% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.00% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47% of the 14.00% 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, 12.00% of the 14.00% member rate is deposited into the member's DC account and the remaining 2.00% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14.00% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The District's contractually required contribution to STRS was \$579,529 for fiscal year 2022. Of this amount \$45,283 is reported as accrued wages and benefits.

Net 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, 2021, 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>
Proportionate Share of the Net Pension Liability	\$1,392,205	\$4,027,555	\$5,419,760
Proportion of the Net Pension Liability:			
Current Measurement Date	0.03773210%	0.03149998%	
Prior Measurement Date	<u>0.03747990%</u>	<u>0.03241196%</u>	
Change in Proportionate Share	0.00025220%	-0.00091198%	
Pension Expense	(\$165,240)	(\$272,105)	(\$437,345)

At June 30 2022, 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>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$134	\$124,432	\$124,566
Changes of assumptions	29,316	1,117,316	1,146,632
Changes in employer proportionate share of net pension liability	9,571	48,180	57,751
Contributions subsequent to the measurement date	<u>185,307</u>	<u>579,529</u>	<u>764,836</u>
Total Deferred Outflows of Resources	<u>\$224,328</u>	<u>\$1,869,457</u>	<u>\$2,093,785</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$36,105	\$25,245	\$61,350
Net difference between projected and actual earnings on pension plan investments	717,026	3,470,982	4,188,008
Changes in employer proportionate share of net pension liability	<u>60,000</u>	<u>449,044</u>	<u>509,044</u>
Total Deferred Inflows of Resources	<u>\$813,131</u>	<u>\$3,945,271</u>	<u>\$4,758,402</u>

\$764,836 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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For the Fiscal Year Ended June 30, 2022

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	(\$230,528)	(\$765,570)	(\$996,098)
2024	(153,017)	(548,275)	(701,292)
2025	(170,483)	(613,655)	(784,138)
2026	(220,084)	(727,842)	(947,926)
Total	<u>(\$774,111)</u>	<u>(\$2,655,342)</u>	<u>(\$3,429,453)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40%	3.00%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.50%
Investment Rate of Return	7.00% net of system expenses	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were

Auburn Vocational School District, Ohio
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based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120.00% of male rates, and 110.00% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90.00% for male rates and 100.00% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.33%
US Equity	24.75%	5.72%
Non-US Equity Developed	13.50%	6.55%
Non-US Equity Emerging	6.75%	8.54%
Fixed Income/Global Bonds	19.00%	1.14%
Private Equity	11.00%	10.03%
Real Estate/Real Assets	16.00%	5.41%
Multi-Asset Strategy	4.00%	3.47%
Private Debt/Private Credit	3.00%	5.28%
Total	100.00%	

Discount Rate

The total pension liability for 2021 was calculated using the discount rate of 7.00%. The discount rate for 2020 was 7.50%. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). 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.

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Sensitivity of the 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$2,316,287	\$1,392,205	\$612,886

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50%	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00% net of investments expense, including inflation	7.45% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.45%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*10 Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the 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 7.00%, 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 (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$7,542,104	\$4,027,555	\$1,057,769

Changes Between the Measurement Date and the Reporting date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Auburn Vocational School District, Ohio
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Note 11 - Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability (asset).

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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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 14.00% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$21,277.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$21,277 for fiscal year 2022.

Auburn Vocational School District, Ohio
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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. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.00% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$705,994	\$0	\$705,994
Proportionate Share of the Net OPEB (Asset)	0	(664,151)	(664,151)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.03730320%	0.03149998%	
Prior Measurement Date	<u>0.03648140%</u>	<u>0.03241196%</u>	
Change in Proportionate Share	0.00082180%	-0.00091198%	
OPEB Expense	(\$63,047)	(\$70,377)	(\$133,424)

At June 30 2022, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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For the Fiscal Year Ended June 30, 2022

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$7,525	\$23,649	\$31,174
Changes of assumptions	110,754	42,423	153,177
Changes in employer proportionate share of net OPEB liability	20,257	2,427	22,684
Contributions subsequent to the measurement date	21,277	0	21,277
Total Deferred Outflows of Resources	\$159,813	\$68,499	\$228,312
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$351,617	\$121,685	\$473,302
Changes of assumptions	96,680	396,215	492,895
Net difference between projected and actual earnings on OPEB plan investments	15,338	184,091	199,429
Changes in employer proportionate share of net OPEB liability	181,095	70,088	251,183
Total Deferred Inflows of Resources	\$644,730	\$772,079	\$1,416,809

\$21,277 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
Ending June 30:			
2023	(\$124,434)	(\$205,395)	(\$329,829)
2024	(124,542)	(200,788)	(325,330)
2025	(118,847)	(194,386)	(313,233)
2026	(91,325)	(77,009)	(168,334)
2027	(38,933)	(26,531)	(65,463)
Thereafter	(8,114)	528	(7,586)
Total	(\$506,194)	(\$703,581)	(\$1,209,775)

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

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members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40%	3.00%
Future Salary Increases, Including Inflation		
Wage Increases	3.25% to 13.58%	3.50% to 18.20%
Investment Rate of Return	7.00% net of investment expense, including inflation	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92%	2.45%
Prior Measurement Date	2.45%	3.13%
Single Equivalent Interest Rate (SEIR), net of plan investment expense, including price inflation:		
Measurement Date	2.27%	2.63%
Prior Measurement Date	2.63%	3.22%
Medical Trend Assumption:		
Medicare	5.125% to 4.40%	5.25% to 4.75%
Pre-Medicare	6.75% to 4.40%	7.00% to 4.75%

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.50% for males and adjusted 122.50% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120.00% of male rates and 110.00% of female rates. RP-2000 Disabled Mortality Table with 90.00% for male rates and 100.00% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2020.

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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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.33%
US Equity	24.75%	5.72%
Non-US Equity Developed	13.50%	6.55%
Non-US Equity Emerging	6.75%	8.54%
Fixed Income/Global Bonds	19.00%	1.14%
Private Equity	11.00%	10.03%
Real Estate/Real Assets	16.00%	5.41%
Multi-Asset Strategy	4.00%	3.47%
Private Debt/Private Credit	3.00%	5.28%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

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Sensitivity of the 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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
Proportionate share of the net OPEB liability	\$874,812	\$705,994	\$571,130
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
Proportionate share of the net OPEB liability	\$543,557	\$705,994	\$922,959

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.45%
Health Care Cost Trends:		
Medical		
Pre-Medicare	5.00% initial, 4.00% ultimate	5.00% initial, 4.00% ultimate
Medicare	-16.18% initial, 4.00% ultimate	-6.69% initial, 4.00% ultimate
Prescription Drug		
Pre-Medicare	6.50% initial, 4.00% ultimate	6.50% initial, 4.00% ultimate
Medicare	29.98% initial, 4.00% ultimate	11.87% initial, 4.00% ultimate

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% 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

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90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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:

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

*10 Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of the 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, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$560,441)	(\$664,151)	(\$750,786)

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	\$747,275	(\$664,151)	(\$561,361)

Changes Between the Measurement Date and the Reporting date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability (asset) is unknown.

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee is paid for 25% of accumulated sick days up to a maximum of 75 accumulated sick days.

Note 13 – Jointly Governed Organizations

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 249 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-four Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council’s Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Lake Geauga Computer Association

The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District’s continued participation. Financial information can be obtained from LGCA, 8221 Auburn Road, Concord Township, OH 44077.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 14 – Claims Servicing Pool

The District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of ten Lake County school districts. Each school district has a representative on the assembly (usually the treasurer or designee) and one Cuyahoga County school district. Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the Program's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. The District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the District. The Program shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Program pursuant to the Program Agreement shall have no claim to the Program's assets.

Note 15 – Contingencies

School Foundation

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2022 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2022 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2022, if applicable, cannot be determined at this time.

Litigation

The District is a party to legal proceedings. The District is of the opinion that the ultimate disposition of the claims will not have a material effect, if any, on the financial condition of the District.

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2022, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$828,788	\$0	\$0	\$102,556
Adult Education Fund	0	755,000	0	0
Other Governmental Funds	0	73,788	102,556	0
Total all funds	<u>\$828,788</u>	<u>\$828,788</u>	<u>\$102,556</u>	<u>\$102,556</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2022, the \$73,788 interfund loan outstanding is anticipated to be repaid in fiscal year 2023. The \$755,000 interfund loans outstanding are classified as long-term and are anticipated to be repaid in installments of \$100,000 until the loan is paid off.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 17 – Set-Asides

The District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2021	\$0
Current Year Set Aside Requirements	63,927
Current Year Offsets	(63,927)
Set Aside Balance as of June 30, 2022	<u>\$0</u>
and carried forward to future fiscal years	<u>\$0</u>

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 18 – Long-Term Obligations

Changes in long-term obligations of the District during fiscal year 2022 were as follows:

	Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2011 School Improvement Bond	3.61%	\$1,095,000	\$0	\$205,000	\$890,000	\$210,000
2012 School Improvement Bond	2.34%	1,010,000	0	160,000	850,000	160,000
2012 School Improvement Bond - Series B	2.48%	280,000	0	45,000	235,000	45,000
2018 School Improvement Bond	3.04%	1,475,000	0	100,000	1,375,000	100,000
2021 School Improvement Bond	1.41%	1,168,000	0	122,000	1,046,000	124,000
Subtotal General Obligation Bonds		5,028,000	0	632,000	4,396,000	639,000
Notes Payable		960,000	0	85,000	875,000	85,000
Compensated Absences		515,471	36,868	37,580	514,759	22,001
Subtotal Bonds and Other Amounts		6,503,471	36,868	754,580	5,785,759	746,001
Net Pension Liability		10,321,541	0	4,901,781	5,419,760	0
Net OPEB Liability		792,860	0	86,866	705,994	0
Total Long-Term Obligations		\$17,617,872	\$36,868	\$5,743,227	\$11,911,513	\$746,001

General Obligation Bonds: General obligation bonds are direct obligations of the District for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement debt service fund.

In January 2021, the District issued \$1,300,000 in general obligation bonds with an interest rate of 1.41% for the purpose of renovating, rehabilitating, furnishing and equipping, and otherwise improving school buildings, facilities, and improving their sites. These bonds are to be repaid from the construction fund and are scheduled to mature in June, 2030.

In March 2018, the District issued \$1,745,000 in general obligation bonds with an interest rate of 3.04% for the purpose of renovating, rehabilitating, furnishing and equipping, and otherwise improving school buildings, facilities, and improving their sites. These bonds are to be repaid from the construction fund and are scheduled to mature in June, 2033.

In September 2015, the District entered into an agreement for the acquisition of building additions. Capital assets acquired by lease have been capitalized as building additions in the amounts of \$1,007,177, which is equal to present value of the future minimum lease payments on the government-wide financial statements.

On July 20, 2011, the District issued \$2,800,000 in general obligation bonds which include serial bonds with an interest rate of 3.61% for the purpose of construction, renovating, rehabilitating and equipping school facilities, including installations, modifications and remodeling of school buildings to conserve energy.

In August 2012, the District issued \$2,300,000 in School Improvement Bonds for the purpose of constructing, renovating, rehabilitating, equipping and remodeling school facilities to conserve energy. The first payment on these bonds was due on December 1, 2012. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

In November 2012, the District issued \$600,000 in School Improvement Bonds for the purpose of constructing a new school facility for the District’s industrial arts program. The first payment on the bonds was due on June 1, 2013. These bonds are to be repaid from the debt service fund and are scheduled to mature in June, 2027.

Compensated absences will be paid from the fund from which the employees' are paid.

The District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2022 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$639,000	\$114,377	\$753,377	\$85,000	\$26,557	\$111,557
2024	661,000	97,166	758,166	90,000	23,766	113,766
2025	678,000	81,028	759,028	90,000	20,895	110,895
2026	704,000	64,440	768,440	95,000	17,944	112,944
2027	481,000	47,110	528,110	95,000	14,913	109,913
2028-2032	1,083,000	124,472	1,207,472	420,000	27,275	447,275
2033	150,000	4,560	154,560	0	0	0
Total	<u>\$4,396,000</u>	<u>\$533,152</u>	<u>\$4,929,152</u>	<u>\$875,000</u>	<u>\$131,350</u>	<u>\$1,006,350</u>

Note 19 – Lease – Lessor Disclosure

The District collectively (the “lessor”) entered into an agreement to lease certain space in the building at 8221 Auburn Road, Concord Township, Ohio 44077 to Educational Service Center of the Western Reserve (a successor entity to Lake County Educational Service Center) and Lake Geauga Computer Association. The lease was effective May 1, 2016 through April 30, 2036, and May 1, 2015 through May 31, 2036. Monthly payments were established at \$5,417 per month and \$4,583 per month, respectively.

For Educational Service Center of the Western Reserve, this agreement shall be cancelled should the General Assembly adapt legislation eliminating Educational Service Centers or that eliminates the need to administer ESC’s. For Lake Geauga Computer Association, this agreement may be cancelled upon the determination by the lessor that the premises are needed for Auburn Vocational School District purposes.

Note 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Auburn Vocational School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 21 – Implementation of New Accounting Principles and Restatement of Net Position/Fund Balance

For fiscal year 2022, the School District implemented GASB Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, and GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

GASB Statement No. 87 sets out to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

Effect on Previously Reported Fund Balance/Net Position The implementation of the GASB 87 pronouncement had no net effect on the fund balance/net position as reported at June 30, 2021:

	Construction Fund
Fund Balance, June 30, 2021	<u>\$1,136,834</u>
Adjustments-Presentation Changes:	
Leases Receivable	1,446,850
Deferred Inflow-Leases	<u>(1,446,850)</u>
Restated Fund Balance, June 30, 2021	<u><u>\$1,136,834</u></u>
	Governmental Activities
Net Position, June 30, 2021	<u>\$9,941,125</u>
Adjustments-Presentation Changes:	
Leases Receivable	1,446,850
Deferred Inflow-Leases	<u>(1,446,850)</u>
Restated Net Position, June 30, 2021	<u><u>\$9,941,125</u></u>

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Nine Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.03773210%	\$1,392,205	\$1,302,414	106.89%	82.86%
2021	0.03747990%	2,479,000	1,313,964	188.67%	68.55%
2020	0.04193790%	2,509,218	1,438,704	174.41%	70.85%
2019	0.04524130%	2,591,053	1,481,763	174.86%	71.36%
2018	0.04879030%	2,915,113	1,610,021	181.06%	69.50%
2017	0.04941280%	3,616,561	1,633,586	221.39%	62.98%
2016	0.05007890%	2,857,551	1,385,220	206.29%	69.16%
2015	0.04996800%	2,528,852	1,466,638	172.43%	71.70%
2014	0.04996800%	2,971,437	1,253,591	237.03%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2022	\$185,307	(\$185,307)	\$0	\$1,323,621	14.00%
2021	182,338	(182,338)	0	1,302,414	14.00%
2020	183,955	(183,955)	0	1,313,964	14.00%
2019	194,225	(194,225)	0	1,438,704	13.50%
2018	200,038	(200,038)	0	1,481,763	13.50%
2017	225,403	(225,403)	0	1,610,021	14.00%
2016	228,702	(228,702)	0	1,633,586	14.00%
2015	182,572	(182,572)	0	1,385,220	13.18%
2014	203,276	(203,276)	0	1,466,638	13.86%
2013	173,497	(173,497)	0	1,253,591	13.84%

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Nine Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.03149998%	\$4,027,555	\$3,886,893	103.62%	87.78%
2021	0.03241196%	7,842,541	4,437,129	176.75%	75.50%
2020	0.03373142%	7,459,501	4,410,900	169.12%	77.40%
2019	0.03309948%	7,277,833	3,982,029	182.77%	77.30%
2018	0.03652205%	8,675,891	4,356,214	199.16%	75.30%
2017	0.03698745%	12,380,814	4,304,693	287.61%	66.80%
2016	0.04169039%	11,522,004	4,351,193	264.80%	72.10%
2015	0.04243876%	10,322,575	4,669,615	221.06%	74.70%
2014	0.04243888%	12,296,184	4,476,338	274.69%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2022	\$579,529	(\$579,529)	\$0	\$4,139,493	14.00%
2021	544,165	(544,165)	0	3,886,893	14.00%
2020	621,198	(621,198)	0	4,437,129	14.00%
2019	617,526	(617,526)	0	4,410,900	14.00%
2018	557,484	(557,484)	0	3,982,029	14.00%
2017	609,870	(609,870)	0	4,356,214	14.00%
2016	602,657	(602,657)	0	4,304,693	14.00%
2015	609,167	(609,167)	0	4,351,193	14.00%
2014	607,050	(607,050)	0	4,669,615	13.00%
2013	581,924	(581,924)	0	4,476,338	13.00%

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.03730320%	\$705,994	1,302,414	54.21%	24.08%
2021	0.03648140%	792,860	1,313,964	60.34%	18.17%
2020	0.04049840%	1,018,450	1,438,704	70.79%	15.57%
2019	0.04539970%	1,259,510	1,481,763	85.00%	13.57%
2018	0.04717641%	1,266,090	1,610,021	78.64%	12.46%
2017	0.04731615%	1,348,685	1,633,586	82.56%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2022	\$21,277	(\$21,277)	\$0	\$1,323,621	1.61%
2021	16,561	(16,561)	0	1,302,414	1.27%
2020	12,031	(12,031)	0	1,313,964	0.92%
2019	20,292	(20,292)	0	1,438,704	1.41%
2018	29,726	(29,726)	0	1,481,763	2.01%
2017	14,914	(14,914)	0	1,610,021	0.93%
2016	12,107	(12,107)	0	1,633,586	0.74%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability
2022	0.03149998%	(\$664,151)	\$3,886,893	(17.09%)	174.73%
2021	0.03241196%	(569,640)	4,437,129	(12.84%)	182.13%
2020	0.03373142%	(558,673)	4,410,900	(12.67%)	174.74%
2019	0.03309948%	(531,875)	3,982,029	(13.36%)	176.00%
2018	0.03652205%	1,424,956	4,356,214	32.71%	47.10%
2017	0.03698745%	1,978,098	4,304,693	45.95%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Required Supplementary Information
 Schedule of the District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2022	\$0	\$0	\$0	\$4,139,493	0.00%
2021	0	0	0	3,886,893	0.00%
2020	0	0	0	4,437,129	0.00%
2019	0	0	0	4,410,900	0.00%
2018	0	0	0	3,982,029	0.00%
2017	0	0	0	4,356,214	0.00%
2016	0	0	0	4,304,693	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,303,269	\$6,978,267	\$6,983,641	\$5,374
Tuition and Fees	\$34,098	\$37,750	\$37,779	\$29
Investment Earnings	49,375	54,662	54,704	42
Intergovernmental	3,023,445	3,347,216	3,349,794	2,578
Other Revenues	157,027	173,842	173,976	134
Total Revenues	9,567,214	10,591,737	10,599,894	8,157
Expenditures:				
Current:				
Instruction:				
Special	110,788	106,392	106,392	0
Vocational	3,884,600	3,730,454	3,730,454	0
Support Services:				
Pupil	763,507	733,210	733,210	0
Instructional Staff	364	351	350	1
General Administration	161,183	154,787	154,787	0
School Administration	1,435,466	1,378,505	1,378,505	0
Fiscal	523,669	502,889	502,889	0
Business	469	451	450	1
Operations and Maintenance	1,421,269	1,364,871	1,364,871	0
Pupil Transportation	10,752	10,325	10,325	0
Central	131,436	126,220	126,220	0
Extracurricular Activities	2,855	2,742	2,742	0
Capital Outlay	4,470	4,293	4,293	0
Total Expenditures	8,450,828	8,115,490	8,115,488	2
Excess of Revenues Over (Under) Expenditures	1,116,386	2,476,247	2,484,406	8,159
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	278,670	308,512	308,750	238
Advances In	223,491	247,423	247,614	191
Advances (Out)	(28,662)	(27,525)	(27,525)	0
Transfers (Out)	(1,013,886)	(973,654)	(973,654)	0
Total Other Financing Sources (Uses)	(540,387)	(445,244)	(444,815)	429
Net Change in Fund Balance	575,999	2,031,003	2,039,591	8,588
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	7,886,480	7,886,480	7,886,480	0
Fund Balance - End of Year	\$8,462,479	\$9,917,483	\$9,926,071	\$8,588

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2022

	Adult Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$1,092,331	\$1,318,954	\$1,337,037	18,083
Intergovernmental	312,101	376,852	382,019	5,167
Other Revenues	82,993	100,211	101,585	1,374
Total Revenues	<u>1,487,425</u>	<u>1,796,017</u>	<u>1,820,641</u>	<u>24,624</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	952,968	1,189,555	1,189,553	2
Support Services:				
Pupil	84,306	105,236	105,236	0
School Administration	473,954	591,619	591,619	0
Fiscal	41,442	51,730	51,730	0
Operations and Maintenance	27,548	34,387	34,387	0
Total Expenditures	<u>1,580,218</u>	<u>1,972,527</u>	<u>1,972,525</u>	<u>2</u>
Excess of Revenues Over (Under) Expenditures	<u>(92,793)</u>	<u>(176,510)</u>	<u>(151,884)</u>	<u>24,626</u>
Other Financing Sources (Uses):				
Advances (Out)	<u>(80,111)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(80,111)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Change in Fund Balance	(172,904)	(276,510)	(251,884)	24,626
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>379,340</u>	<u>379,340</u>	<u>379,340</u>	<u>0</u>
Fund Balance - End of Year	<u>\$206,436</u>	<u>\$102,830</u>	<u>\$127,456</u>	<u>\$24,626</u>

See accompanying notes to the required supplementary information.

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

Note 1 – Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2022.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the General Fund and the Adult Education Fund.

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

Net Change in Fund Balance

	General	Adult Education
GAAP Basis	\$1,769,002	(\$101,316)
Revenue Accruals	895,067	3,554
Expenditure Accruals	136,159	16,122
Gain on the Sale of Property Held	80,238	0
Transfers (Out)	(871,098)	0
Advances In	247,614	0
Advances (Out)	(27,525)	(100,000)
Encumbrances	(189,870)	(70,244)
Funds Budgeted Elsewhere	1	0
Budget Basis	<u>\$2,039,588</u>	<u>(\$251,884)</u>

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2022: Cost of Living Adjustments (COLA) increased from 0.50% to 2.50%.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3.00% annual increase to a Cost of Living Adjustments (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.50% and a floor of 0.00%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.00% to 2.40%,
- (2) Payroll growth assumption was reduced from 3.50% to 1.75%,
- (3) Assumed real wage growth was increased from 0.50% to 0.85%,
- (4) Cost of Living Adjustments (COLA) was reduced from 2.50% to 2.00%,
- (5) The discount rate was reduced from 7.50% to 7.00%,
- (6) Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and,
- (7) Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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,
- (7) Mortality among disabled members 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, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2022: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2022: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 2.63%
 - Measurement Date 2.27%
- (2) Investment Rate of Return:
 - Prior Measurement Date 7.50%
 - Measurement Date 7.00%
- (3) Assumed Rate of Inflation:
 - Prior Measurement Date 3.00%
 - Measurement Date 2.40%
- (4) Payroll Growth Assumption:
 - Prior Measurement Date 3.50%
 - Measurement Date 1.75%
- (5) Assumed Real Wage Growth:
 - Prior Measurement Date 0.50%
 - Measurement Date 0.85%
- (6) Municipal Bond Index Rate:
 - Prior Measurement Date 2.45%
 - Measurement Date 1.92%
- (7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 2.63%
 - Measurement Date 2.27%
- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent.
- (10) Mortality among active members was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.
- (11) Mortality among service retired members was updated to the following:
 - a. PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
 - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
 - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

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

- (1) Discount Rate:
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.13%
 - Measurement Date 2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.22%
 - Measurement Date 2.63%

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

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

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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
- (7) Mortality among disabled members 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.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. 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.

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

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and

Auburn Vocational School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2022

beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	3L70	10.553	\$27,720
National School Lunch Program Non-Cash Assistance	3L60	10.555	11,996
National School Lunch Program	3L60	10.555	92,185
COVID 19 National School Lunch Program	3L60	10.555	<u>21,287</u>
Total National Lunch Program			125,468
Total Child Nutrition Cluster			<u>153,188</u>
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	3HF0	10.649	<u>614</u>
Total U.S. Department of Agriculture			<u>153,802</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Assistance:			
COVID 19 Higher Education Emergency Relief Fund - Student Aid Portion	N/A	84.425E	202,101
COVID 19 Higher Education Emergency Relief Fund - Institutional Portion	N/A	84.425F	272,925
COVID 19 Higher Education Emergency Relief Fund - Fund for the Improvement of Postsecondary Education	N/A	84.425N	16,315
Passed Through Ohio Department of Education:			
COVID 19 Governor's Emergency Education Relief Fund	3HQ0	84.425C	<u>58,202</u>
Total Education Stabilization Fund			549,543
Direct Assistance:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	N/A	84.063	165,425
Federal Direct Student Loans	N/A	84.268	<u>197,165</u>
Total Student Financial Assistance Cluster			362,590
Passed Through Ohio Department of Education:			
Adult Education - Basic Grants to States	3120	84.002	278,194
Career and Technical Education - Basic Grants to States	3L90	84.048	<u>514,631</u>
Total U.S Department of Education			<u>1,704,958</u>
Total Expenditures of Federal Awards			<u>\$1,858,760</u>

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented on the cash basis of accounting. 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). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2: FEDERAL DIRECT LOAN PROGRAM

The District participates in the Federal Direct Loan Program. The District originates the loans which are then funded through the U.S. Department of Education.

CFDA Number	Program Name	Amount
84.268	Federal Subsidized Loans	\$77,658
84.268	Federal Unsubsidized Loans	119,507
	Total Federal Direct Student Loans	<u>\$197,165</u>

NOTE 3: NUTRITION CLUSTER

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

NOTE 4: FOOD DONATION PROGRAM

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

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

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 Auburn Vocational School District (the District), as of and for the year ended June 30, 2022, 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 23, 2022. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on 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) as a basis for designing 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 entity'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
December 23, 2022

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

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, Ohio 44077

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Auburn Vocational School District (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 23, 2022

**AUBURN VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Career and Technical Education-Basic Grants to State ALN 84.048

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

**AUBURN VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

The Auburn Vocational School District had no prior audit findings or questioned costs.

OHIO AUDITOR OF STATE KEITH FABER



AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/7/2023

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