



OHIO AUDITOR OF STATE
KEITH FABER



**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	5
Statement of Activities – Cash Basis	6
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	7
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Cash Basis Governmental Funds	8
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund.....	9
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund.....	10
Notes to the Basic Financial Statements	11
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	47
Schedule of Findings	51
Prepared By Management:	
Summary Schedule of Prior Audit Findings	53
Corrective Action Plan	55

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Painesville City Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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 GAAS 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 GAAS 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 February 26, 2025, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2025

This page intentionally left blank.

Painesville City Local School District
Statement of Net Position - Cash Basis
June 30, 2024

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,029,407</u>
Total Assets	<u>27,029,407</u>
Net Cash Position:	
Restricted for:	
Debt Service	2,231,511
Capital Projects	750,873
Classroom Facilities Maintenance	2,071,582
State Funded Programs	18,741
Federally Funded Programs	195,293
Special Levy	981,160
Food Service	71,055
Student Managed Activities	59,849
Scholarships	6,489
Other Purposes	289,819
Unrestricted	<u>20,353,035</u>
Total Net Cash Position	<u>\$27,029,407</u>

See accompanying notes to the basic financial statements.

Painesville City Local School District
 Statement of Activities - Cash Basis
 For the Fiscal Year Ended June 30, 2024

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position		
		Charges for Services and Sales	Operating Grants and Contributions			
Governmental Activities:						
Instruction:						
Regular	\$17,302,974	\$16,668	\$1,225,584	(\$16,060,722)		
Special	8,352,311	82,520	4,835,683	(3,434,108)		
Vocational	559,205	0	171,170	(388,035)		
Other	1,161,071	0	23,336	(1,137,735)		
Support Services:						
Pupil	3,156,833	0	454,887	(2,701,946)		
Instructional Staff	2,251,857	0	1,167,296	(1,084,561)		
General Administration	40,392	0	0	(40,392)		
School Administration	3,986,358	0	72,298	(3,914,060)		
Fiscal	828,107	0	78,249	(749,858)		
Business	24,683	0	0	(24,683)		
Operations and Maintenance	4,283,937	11,526	559,150	(3,713,261)		
Pupil Transportation	2,098,302	0	531,003	(1,567,299)		
Central	716,706	0	20,463	(696,243)		
Operation of Non-Instructional Services	2,329,575	97,781	1,681,213	(550,581)		
Extracurricular Activities	981,286	217,992	48,929	(714,365)		
Debt Service:						
Principal Retirement	1,495,000	0	0	(1,495,000)		
Interest and Fiscal Charges	378,488	0	0	(378,488)		
Totals	\$49,947,085	\$426,487	\$10,869,261	(38,651,337)		

General Receipts:

Property Taxes Levied for:	
General Purposes	7,270,726
Special Revenue Purposes	648,967
Debt Service Purposes	1,605,728
Capital Projects Purposes	21,677
Grants and Entitlements, Not Restricted	28,994,178
Investment Earnings	1,448,823
Other Receipts	532,644

Total General Receipts **40,522,743**

Change in Net Cash Position **1,871,406**

Net Cash Position - Beginning of Year **25,158,001**

Net Cash Position - End of Year **\$27,029,407**

See accompanying notes to the basic financial statements.

Painesville City Local School District
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 June 30, 2024

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>\$12,466,843</u>	<u>\$7,903,773</u>	<u>\$6,658,791</u>	<u>\$27,029,407</u>
Total Assets	<u>12,466,843</u>	<u>7,903,773</u>	<u>6,658,791</u>	<u>27,029,407</u>
Fund Cash Balances:				
Nonspendable	695	0	0	695
Restricted	0	0	6,676,372	6,676,372
Committed	433,222	7,903,773	0	8,336,995
Assigned	1,380,092	0	0	1,380,092
Unassigned	<u>10,652,834</u>	<u>0</u>	<u>(17,581)</u>	<u>10,635,253</u>
Total Fund Cash Balances	<u>\$12,466,843</u>	<u>\$7,903,773</u>	<u>\$6,658,791</u>	<u>\$27,029,407</u>

See accompanying notes to the basic financial statements.

Painesville City Local School District
 Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2024

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Taxes	\$7,270,726	\$0	\$2,276,372	\$9,547,098
Tuition and Fees	99,188	0	0	99,188
Investment Earnings	677,015	478,341	293,467	1,448,823
Intergovernmental	32,040,661	0	7,822,777	39,863,438
Extracurricular Activities	70,503	0	160,502	231,005
Charges for Services	20,884	0	75,411	96,295
Other Receipts	410,710	0	121,934	532,644
Total Receipts	40,589,687	478,341	10,750,463	51,818,491
Cash Disbursements:				
Current:				
Instruction:				
Regular	15,018,886	0	2,284,088	17,302,974
Special	6,412,307	0	1,940,004	8,352,311
Vocational	533,012	0	26,193	559,205
Other	1,137,594	0	23,477	1,161,071
Support Services:				
Pupil	2,728,658	0	428,175	3,156,833
Instructional Staff	1,126,997	0	1,124,860	2,251,857
General Administration	40,392	0	0	40,392
School Administration	3,918,516	0	67,842	3,986,358
Fiscal	727,903	0	100,204	828,107
Business	24,683	0	0	24,683
Operations and Maintenance	3,333,569	208,306	742,062	4,283,937
Pupil Transportation	1,279,091	652,754	166,457	2,098,302
Central	697,560	0	19,146	716,706
Operation of Non-Instructional Services	14,910	0	2,314,665	2,329,575
Extracurricular Activities	699,616	0	281,670	981,286
Debt Service:				
Principal Retirement	0	0	1,495,000	1,495,000
Interest and Fiscal Charges	0	0	378,488	378,488
Total Cash Disbursements	37,693,694	861,060	11,392,331	49,947,085
Excess of Receipts Over (Under) Cash Disbursements	2,895,993	(382,719)	(641,868)	1,871,406
Other Financing Sources (Uses):				
Advances In	67,234	0	0	67,234
Advances (Out)	0	0	(67,234)	(67,234)
Transfers In	14,254	0	720	14,974
Transfers (Out)	(720)	0	(14,254)	(14,974)
Total Other Financing Sources (Uses)	80,768	0	(80,768)	0
Net Change in Fund Cash Balance	2,976,761	(382,719)	(722,636)	1,871,406
Fund Cash Balance - Beginning of Year	9,490,082	8,286,492	7,381,427	25,158,001
Fund Cash Balance - End of Year	\$12,466,843	\$7,903,773	\$6,658,791	\$27,029,407

See accompanying notes to the basic financial statements.

Painesville City Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2024

	Custodial
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$0
Total Assets	0
Liabilities:	
Accounts Payable	0
Total Liabilities	0
Net Cash Position:	
Restricted for Individuals, Organizations, and Other Governments	0
Total Net Cash Position	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

Painesville City Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2024

	Custodial
Additions:	
Extracurricular collections for OHSAA	\$1,252
Total Additions	<u>1,252</u>
Deductions:	
Extracurricular distributions to OHSAA	1,252
Total Deductions	<u>1,252</u>
Change in Net Cash Position	0
Net Cash Position - Beginning of Year	<u>0</u>
Net Cash Position - End of Year	<u>\$0</u>

See accompanying notes to the basic financial statements.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 1 - Description of the District and Reporting Entity

Description of the District

The Painesville City Local School District (the “District”), located in Lake County, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 1, 2024 was 2,740. The District employed 237 certificated employees and 167 non-certificated employees. It currently operates five instructional facilities.

Reporting Entity

In accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District participates in three jointly governed organizations, a claims servicing pool, a shared risk pool and an insurance purchasing pool, that are further described in the notes to the financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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. The following are the District's major governmental funds:

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

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

Capital Projects - The capital projects fund is a fund used to accumulate money for one or more capital projects.

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 cash position and changes in net cash 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 used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Custodial funds account for monies held on behalf of others that do not meet the definition of a trust fund. The District has a custodial fund to account for activities related to OHSAA athletic events of the District.

Basis of Presentation

Government-wide Financial Statements

The statement of net position - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements

The fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by fund type.

Equity in Pooled Cash and Cash Equivalents

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

Investments of the District's cash management pool and investments with an original maturity 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 that were not purchased from the pool are reported as investments.

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

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

During 2024, the District invested in money market funds, U.S. Treasury Bills, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The District's money market fund investment is recorded at amount reported by the financial institution at June 30, 2024.

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 for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest during the fiscal year amounted to \$677,015 credited to the general fund, \$478,341 credited to the capital projects fund and \$293,467 credited to other governmental funds.

Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected in the accompanying financial statements under the cash basis of accounting.

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described later in the notes, the employer contributions include portions for pension benefits and may include portions for postretirement health care benefits.

Leases and Subscription-Based Information Technology Arrangements (SBITA)

The School District is the lessor/lessee (as defined by GASB 87) in various leases related to buildings, vehicles and other equipment under noncancelable leases. Lease receivables/payables are not reflected under the School District's modified cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

The School District has entered into noncancelable SBITA contracts (as defined by GASB 96) for several types of software including contracts related to financial systems, scheduling, grading systems and various

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

other software. Subscription liabilities are not reflected under the School District's modified cash basis of accounting. Subscription disbursements are recognized when they are paid.

Long-Term Obligations

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected receipts of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2024.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than custodial funds, consistent with statutory provisions.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Net Cash Position

Net cash position are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available.

Fund Cash Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund cash balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 interfund loans.

Restricted

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

Committed

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

Assigned

The 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. In governmental funds other than the

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official delegated by that authority by resolution or by State statute. State statute authorizes the District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned

The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

Pension/Other Postemployment Benefits (OPEB)

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

Note 3 - Equity in Pooled Cash and Cash Equivalents

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Cash Equivalents." State statute requires the classification of monies held by the District into three categories:

Active Monies

Are Public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 Monies

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

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Interim Deposits

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

Protection of the 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.

Interim Monies

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. Ohio law permits interim monies to be invested or deposited 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;
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.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk 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, 2024, \$269,176 of the District's bank balance of \$519,176 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.

Investments

The District's investments at June 30, 2024 are as summarized as follows:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAR Ohio	\$20,510,440	N/A	0.13
U.S. Treasury Bills	6,189,064	Level 1	0.34
Money Market Funds	11,063	Level 1	0.00
Total Fair Value	\$26,710,567		
Portfolio Weighted Average Maturity			0.18

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

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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, 2024. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices (Level 1 and Level 2 inputs).

Interest Rate Risk

In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk

It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. Investments in U.S. Treasury Bills were rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's, respectively. The District's investments in Money Market Funds were not rated by Standard & Poor's and Fitch Ratings and by Moody's Investors Service. Investments in STAR Ohio were rated AAA by Standard & Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Concentration of Credit Risk

The District's investment policy allows investments in Federal Agencies or Instrumentalities. All investments were issued or guaranteed by the federal government. At year end, the District's allocations of investments (cash equivalents) were as follows: Money Market Accounts (less than 0.1%), U.S. Treasury Bills (23.2%) and STAR Ohio (76.8%).

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, 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 2024 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023 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.

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

The District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2024 taxes were collected are:

	Second Half 2023 Amount	First Half 2024 Amount
Agricultural/Residential and Other Real Estate	\$207,061,710	\$209,624,340
Public Utility Personal	3,510,950	3,766,840
Total	\$210,572,660	\$213,391,180

Note 5 – Debt

Long-Term Obligations

The changes in the District's long-term debt during fiscal year 2024 were as follows:

Governmental Activities	Maturity Dates	Beginning Balance	Increases	Decreases	Ending Balance	Due In One Year
General Obligation Bonds:						
2012 Advance Refunding of 2004 OSFC -						
Current Interest Bonds	12/1/32	\$295,000	\$0	(\$145,000)	\$150,000	\$150,000
Capital Appreciation Bonds	12/1/26	74,986	0	0	74,986	0
Accreted Interest	12/1/26	945,483	274,362	0	1,219,845	0
Premium on Refunding	12/1/32	508,007	0	(53,475)	454,532	0
2020 Refunding of 2013 Advance Refunding	12/1/32	6,345,000	0	(595,000)	5,750,000	600,000
Premium on Refunding	12/1/32	633,661	0	(66,701)	566,960	0
2014 Advance Refunding of 2005 OSFC -						
Current Interest Bonds	12/1/24	1,545,000	0	(755,000)	790,000	790,000
Premium on Refunding	12/1/24	109,759	0	(54,881)	54,878	0
2019 Refunding of 2012 Advance Refunding	12/1/32	6,360,000	0	0	6,360,000	0
Premium on Refunding	12/1/32	393,670	0	(39,357)	354,313	0
Total		\$17,210,566	\$274,362	(\$1,709,414)	\$15,775,514	\$1,540,000

2012 Advance Refunding

On June 14, 2012 the District issued \$8,345,000 in current interest bonds with an average interest rate of 3.18% with a maturity date of December 1, 2032 and \$74,986 in capital appreciation bonds with a maturity date of December 1, 2026 of which \$8,420,000 was used to partially advance refund \$16,945,000 of outstanding Ohio Schools Facilities Commission School (OSFC) Improvement Bonds with average interest rates of 4.87%. These bonds are being retired from the debt service fund.

2014 Advance Refunding

On March 20, 2014 the District issued \$7,515,000 in current interest bonds with an average interest rate of 3.288% with a maturity date of December 1, 2024 and \$664,994 in capital appreciation bonds that matured on December 1, 2016 of which \$8,179,994 was used to partially advance refund \$8,525,007 of outstanding OSFC Improvement Bonds with average interest rates of 4.62%. These bonds are being retired from the debt service fund.

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

2019 Current Refunding

On November 26, 2019 the District issued \$6,360,000 in current interest bonds with an average interest rate of 3.00% with a maturity date of December 1, 2032 of which \$6,360,000 was used to partially currently refund \$6,715,000 of outstanding OSFC Improvement Bonds with average interest rates of 3.18%. These bonds are being retired from the debt service fund.

2020 Current Refunding

On October 29, 2020 the District issued \$7,495,000 in current refunding bonds with an average interest rate of 2.549% with a maturity date of December 1, 2032 of which \$7,495,000 was used to refund \$7,870,000 of outstanding 2013 Advance Refunding Bonds (originally issued as OSFC Improvement Bonds) with average interest rates of 2.781%. These bonds are being retired from the debt service fund.

Principal and interest requirements to retire long-term debt obligation outstanding at year end are as follows:

Year	Current Interest and Refunding Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$1,540,000	\$545,817	\$2,085,817	\$0	\$0	\$0
2026	615,000	313,800	928,800	41,938	1,199,203	1,241,141
2027	630,000	301,350	931,350	33,048	1,208,094	1,241,142
2028	1,695,000	272,825	1,967,825	0	0	0
2029	1,730,000	227,900	1,957,900	0	0	0
2030-2033	6,840,000	391,050	7,231,050	0	0	0
Total	<u>\$13,050,000</u>	<u>\$2,052,742</u>	<u>\$15,102,742</u>	<u>\$74,986</u>	<u>\$2,407,297</u>	<u>\$2,482,283</u>

Note 6 – Lease – Lessor Disclosure

On July 1, 2023, the District entered into a 120 month lease with Lake-Geauga United Head Start (a preschool program) to rent building/land space. Lake-Geauga United Head Start will pay \$10,000 for each 12 months period, which shall be spread evenly as possible across the 12 month period.

Note 7 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

The net pension/OPEB liability (asset) 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.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 8 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:

	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.

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$859,344 for fiscal year 2024.

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.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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 regardless of age.

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$2,934,960 for fiscal year 2024.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Net Pension Liability

The net pension liability was measured as of June 30, 2023, 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$8,139,112	\$31,182,088	\$39,321,200
Proportion of the Net Pension Liability:			
Current Measurement Date	0.14730050%	0.14479767%	
Prior Measurement Date	<u>0.14804490%</u>	<u>0.14523814%</u>	
Change in Proportionate Share	<u>-0.00074440%</u>	<u>-0.00044047%</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. Future benefits for all current plan members were projected through 2137.

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, 2023 and compared with June 30, 2022, are presented below:

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

	June 30, 2023	June 30, 2022
Inflation	2.40%	2.40%
Future Salary Increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
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	
Investment Rate of Return	7.00% net of system expenses	7.00% net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates 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 percent for males and set forward 2 years and adjusted 81.35 percent 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 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u><u>100.00%</u></u>	

Discount Rate

The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$12,012,912	\$8,139,112	\$4,876,172

Changes Between the Measurement Date and the Report Date

Governor DeWine signed HB33 in July 2023 authorizing SERS to implement a Contribution Based Benefit Cap beginning August 1, 2024. Any effect on the net pension liability is unknown.

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to those used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Projected Salary Increases	From 2.50% to 8.50% based on service	From 2.50% to 8.50% based on age
Investment Rate of Return	7.00% net of investments expense, including inflation	7.00% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.00%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	1.00%	1.00%
Total	<u>100.00%</u>	

* Final target weights reflected October 1, 2022.

** 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 percent as of June 30, 2023. 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, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$47,951,150	\$31,182,088	\$17,000,050

Changes Between the Measurement Date and the Report Date

In March 2024, the STRS Board made the eligibility rule requiring 34 years of service for an unreduced retirement permanent, effective June 1, 2024. Eligibility for a reduced retirement benefit has been lowered from 30 to 29 years of service. The effect of these changes on the net pension liability is currently unknown.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 8 - Defined Benefit OPEB Plans

See Note 7 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.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, 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 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the District's surcharge obligation was \$101,556.

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

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 \$101,556 for fiscal year 2024.

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. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2023, 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:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$2,412,183	\$0	\$2,412,183
Proportionate Share of the Net OPEB (Asset)	0	(2,816,115)	(2,816,115)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.14641960%	0.14479767%	
Prior Measurement Date	0.15138610%	0.14523814%	
Change in Proportionate Share	<u>-0.00496650%</u>	<u>-0.00044047%</u>	

Actuarial Assumptions - SERS

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

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, compared with June 30, 2022, are presented below:

	June 30, 2023	June 30, 2022
Inflation	2.40%	2.40%
Future Salary Increases, Including Inflation	3.25% to 13.58%	3.25% to 13.58%
Investment Rate of Return	7.00% net of investment expense	7.00% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048	2044
Municipal Bond Index Rate:		
Measurement Date	3.86%	3.69%
Prior Measurement Date	3.69%	1.92%
Single Equivalent Interest Rate (SEIR), net of plan investment expense, including price inflation:		
Measurement Date	4.27%	4.08%
Prior Measurement Date	4.08%	2.27%
Health Care Cost Trend Rate	6.75% to 4.40%	7.00% to 4.40%

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 percent for males and set forward 2 years and adjusted 81.35 percent 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 103.3 percent for males and set forward 3 years and adjusted 106.8 percent 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 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

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 2016 through 2020, and was adopted by the

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Board on April 15, 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 long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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 long-term expected nominal rate of return has been determined by calculating a 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. As of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, 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 was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

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 (3.27%) and higher (5.27%) than the current discount rate (4.27%). 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.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
Proportionate share of the net OPEB liability	\$3,083,459	\$2,412,183	\$1,882,853
	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	\$1,772,147	\$2,412,183	\$3,260,316

Changes Between Measurement Date and Reporting Date

In September 2023, the SERS Board changed minimum compensation to \$30,000 from \$25,000 for purposes of the surcharge. Any effect on the net OPEB liability is unknown.

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to the prior year are presented below:

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.00%
Health Care Cost Trends:		
Medical		
Pre-Medicare	7.50% initial, 4.14% ultimate	7.50% initial, 3.94% ultimate
Medicare	-10.94% initial, 4.14% ultimate	-68.78% initial, 3.94% ultimate
Prescription Drug		
Pre-Medicare	-11.95% initial, 4.14% ultimate	9.00% initial, 3.94% ultimate
Medicare	1.33% initial, 4.14% ultimate	-5.47% initial, 3.94% ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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	26.00%	6.60%
International Equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed Income	22.00%	1.75%
Real Estate	10.00%	5.75%
Liquidity Reserves	<u>1.00%</u>	1.00%
Total	<u><u>100.00%</u></u>	

* Final target weights reflected at October 1, 2022.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on 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, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

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, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net OPEB (asset)	(\$2,383,472)	(\$2,816,115)	(\$3,192,900)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$3,210,384)	(\$2,816,115)	(\$2,341,223)

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

Changes Between the Measurement Date and the Reporting date

In March, 2024, the STRS Board made changes to the eligibility for the maximum health care premium subsidy, going into effect initially with the January 2025 benefit. In May, 2024, the Board aligned the eligibility for the health care premium subsidy with the changes to pension eligibility made in March 2024. The effect on the net OPEB liability (asset) is unknown at this time.

Note 9 – Contingent Liabilities

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2024, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) 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 DEW adjustments for fiscal year 2024 are finalized. The final adjustment was not material and is not reflected in the accompanying financial statements.

Litigation

The District is not currently a party to any significant legal proceedings.

Note 10 – Lake County School Financing District

The Board of Education of the Educational Service Center of the Western Reserve (formerly Lake County Educational Service Center) has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Ohio Revised Code, created a county school financing district known as the Lake County School Financing District (the “Financing District”) for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Educational Service Center of the Western Reserve acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Painesville City Local School District) each such Member District’s proportionate share of that tax settlement. Each Member District’s proportionate share is a fraction, the numerator being Member District’s total pupil population and the denominator being the aggregate pupil population of all Member Districts for that year.

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 11 – Jointly Governed Organizations

Auburn Career Center

The Auburn Career Center is a joint vocational school district, which is a jointly governed organization among eleven school districts. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

Lake Geauga Computer Association

The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was first formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen (18) member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the District's continued participation. LGCA is not accumulating significant financial resources or experiencing financial distress, which would cause additional financial benefits or burden on the District. Financial information can be obtained from: Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Beginning with 2024-2025 school year, LGCA will merge with NEONet (Northeast Ohio Network for Educational Technology). NEONet is an ITC (Information Technology Center) serving schools districts in the Northeast Ohio area.

Ohio Schools Council Association

The Ohio Schools Council Association (the Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven 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 Secretary of the Ohio Schools Council at 6393 Oak Tree Blvd. #377, Independence, Ohio 44131.

The District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each month, these estimated payments are compared to their actual usage and any necessary adjustments are made.

Note 12 – Claims Servicing Pool

The District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self-Insurance Program, a shared risk pool, comprised of nine Lake County school districts plus Lakeland Community College and Educational Service Center of the Western Reserve. Each district has a

Painesville City Local School District

Lake County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

representative on the assembly (usually the superintendent or treasurer). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one or two year terms to serve on the Board of Directors.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2024, the District contracted with Liberty Mutual Insurance for property and general liability insurance. There is a \$1,000,000 limit of liability.

Commercial umbrella liability is protected by Liberty Mutual Insurance with a \$10,000,000 single and aggregate occurrence limit. Vehicles are covered by Liberty Mutual Insurance and have a \$1,000 deductible for comprehensive collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

The District has elected to provide medical coverage through the Lake County Council of Governments Health Care Benefits Program, see note 12 for more information.

Note 14 – OSBA Insurance Purchasing Pool

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement & Co. provides administrative, cost control and actuarial services to the GRP.

Note 15 – Set-Aside Requirements

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

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

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

	<u>Capital Improvements</u>
Set Aside Reserve Balance as of June 30, 2023	\$0
Current Year Set Aside Requirements	560,194
Qualified Disbursements	(131,166)
Current Year Offsets	(14,706,276)
Total	<u><u>(\$14,277,248)</u></u>
Set Aside Balance Carried Forward to Future Years	<u><u>\$0</u></u>
Set Aside Balance as of June 30, 2024	<u><u>\$0</u></u>

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

This Space Intentionally Left Blank

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 16 – 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 on the next page:

<u>Fund Balances</u>	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Unclaimed Funds	\$695	\$0	\$0	\$695
Total Nonspendable	695	0	0	695
Restricted for:				
Other Grants	0	0	70,594	70,594
Special Levy	0	0	981,160	981,160
District Managed Student Activity	0	0	219,225	219,225
Classroom Facilities Maintenance	0	0	2,071,582	2,071,582
Preschool	0	0	6,913	6,913
Miscellaneous State Grants	0	0	11,828	11,828
ESSER Grant	0	0	120,399	120,399
Title VI B	0	0	17,311	17,311
Title III	0	0	5,123	5,123
Title I	0	0	52,121	52,121
Improving Teacher Grants	0	0	339	339
Food Service	0	0	71,055	71,055
Student Managed Activity	0	0	59,849	59,849
Scholarships	0	0	6,489	6,489
Debt Service Payments	0	0	2,231,511	2,231,511
Capital Improvements	0	0	750,873	750,873
Total Restricted	0	0	6,676,372	6,676,372
Committed to:				
Fund Deficit/Emergency	433,222	0	0	433,222
Capital Projects	0	7,903,773	0	7,903,773
Total Committed	433,222	7,903,773	0	8,336,995
Assigned to:				
Budgetary Reserve	1,308,959	0	0	1,308,959
Public School Support	55,461	0	0	55,461
Purchases on Order	15,672	0	0	15,672
Total Assigned	1,380,092	0	0	1,380,092
Unassigned	10,652,834	0	(17,581)	10,635,253
Total Fund Balance	\$12,466,843	\$7,903,773	\$6,658,791	\$27,029,407

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Note 17 – Interfund Balances and Transfers

Transfers

During fiscal year 2024, the following transfers were made:

	Transfers	
	In	Out
General Fund	\$14,254	(\$720)
Other Governmental Funds	720	(14,254)
Total All Funds	<u>\$14,974</u>	<u>(\$14,974)</u>

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs/capital projects accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the other nonmajor governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects.

The transfer out (\$14,245) of the other governmental funds to the general fund was to close out an old miscellaneous special revenue (GED test site) fund. This transfer was approved by the Board.

Interfund Balances

During the fiscal year 2024, following advances were made:

	Advances	
	In	Out
General Fund	\$67,234	\$0
Other Governmental Funds	0	(67,234)
Total All Funds	<u>\$67,234</u>	<u>(\$67,234)</u>

The advances in/out of various funds were to cover negative fund cash balances. The advances are expected to be repaid within one year.

Note 18 – Accountability and Compliance

Accountability

Fund balances at June 30, 2024 included the following individual fund deficits:

Nonmajor Funds	Deficit
IDEA Preschool	\$2,830
Improving Teacher Quality	14,751

**Painesville City Local School District
Lake County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024**

Compliance

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

Note 19 – Implementation of New Accounting Principles

For fiscal year 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections; and portions of GASB Statement No. 99, Omnibus 2022.

GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 did not have an effect on the financial statements of the District.

GASB Statement No. 99 addresses a variety of topics and includes clarification of provisions related to accounting and reporting of leases under GASB Statement No. 87, provides extension of the period which the London Interbank Offered Rate is considered appropriate benchmark interest rate, guidance on disclosure of nonmonetary transaction, accounting for pledges of future revenues when resources are not received by the pledging government under GASB Statement No. 48, and terminology updates related to certain provisions of GASB Statement No. 63 and No. 53. These topics under GASB Statement No. 99 provisions were implemented in a prior year.

Other topics in GASB Statement No. 99 includes classification of other derivative instruments within the scope of GASB Statement No. 53, clarification of provisions related to accounting and reporting of Public-Private and Public-Public Partnerships under GASB Statement No. 94, and clarification of provisions to accounting and reporting of subscription-based information technology arrangements under GASB Statement No. 96. These topics under GASB Statement No. 99 provisions were implemented and did not have an effect on the financial statements of the District.

This page intentionally left blank.

PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 356,878
National School Lunch Program	10.555	1,101,104
National School Lunch program - Non Cash Assistance		144,446
Total National School Lunch Program		<u>1,602,428</u>
Total Child Nutrition Cluster		<u>1,602,428</u>
Total U.S. Department of Agriculture/ Child Nutrition Cluster		<u>1,602,428</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education Workforce:</i>		
Special Education Cluster		
COVID-19 Special Education Grants to States--American Rescue Plan	84.027X	2,330
Special Education Grants to States	84.027A	105,028
	84.027A	<u>691,110</u>
Total Special Education Grants to States		<u>798,468</u>
Special Education Preschool Grants	84.173A	2,562
		23,990
Total- Special Education Preschool Grants		<u>26,552</u>
Total Special Education Cluster		<u>825,020</u>
Title I Grants to Local Educational Agencies	84.010A	1,074,048
		70,232
		25,176
		<u>116,311</u>
Total- Title I Grants to Local Educational Agencies		<u>1,285,767</u>
Supplemental School Improvement Grants	84.010A	6,943
		<u>128,263</u>
Total - Supplemental School Improvement Grants		<u>135,206</u>
Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	8,415
		34,703
Total -Expanding Opportunities		<u>43,118</u>
Total- Title I Grants to Local Educational Agencies		<u>1,464,091</u>
English Language Acquisition State Grants	84.365A	16,184
		91,403
		<u>107,587</u>
Supporting Effective Instruction State Grants	84.367A	19,305
		<u>108,287</u>
Total Supporting Effective Instruction State Grants		<u>127,592</u>
Educators Rising Ohio Chapter Development Round II	84.367A	2,395
Total- Supporting Effective Instruction State Grants		<u>129,987</u>
Stronger Connections Grant	84.424F	12,595
Student Support and Academic Enrichment Program	84.424A	<u>66,200</u>
Total Student Support and Academic Enrichment Program and Stronger Connections		<u>78,795</u>
Education Stabilization Fund:		
COVID-19 Elementary and Secondary School Emergency Relief Fund ARP	84.425U	2,704,931
COVID-19 Elementary and Secondary School Emergency Relief Fund Homeless	84.425W	256
Innovative Workforce Grant II	84.425.D	22,918
Total- Education Stabilization Fund:		<u>2,728,105</u>
Total U.S. Department of Education		<u>5,333,585</u>
Total Expenditures of Federal Awards		<u>\$6,936,013</u>

The accompanying notes are an integral part of this schedule.

**Painesville City Local School District
Lake County**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED June 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Painesville City Local School District (the District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the cash-basis financial position, changes in cash-basis financial position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE F – 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

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Painesville City Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2025, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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 purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Painesville City Local School District
Lake County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2024-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2025



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Painesville City Local School District's, Lake County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Painesville City Local School District's major federal programs for the year ended June 30, 2024. Painesville City Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Painesville City Local School District complied, in all material respects, with the 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, 2024.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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

The District's 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 GAAS, *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 GAAS, *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.

Painesville City Local School District

Lake County

Independent Auditor's Report on Compliance with Requirements

Applicable to Each Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 3

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 this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2025

This page intentionally left blank.

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> ➤ Special Education Cluster AL# 84.027/84.173 ➤ Elementary and Secondary School Emergency AL# 84.425
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Not Low Risk

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

FINDING NUMBER 2024-001

Annual Financial Report-Non GAAP Filing

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

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

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

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

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Engaging All Students Today for
Tomorrow's World

Painesville City Local Schools
58 Jefferson Street
Painesville, Ohio 44077

Telephone: (440) 392-5060
Fax: (440) 392-5089

www.pcls.net

BOARD OF EDUCATION

Kathleen Powers-Dolney
President

Dr. Frances Webb
Vice-President

Dorothy I. Jennings

Antonio Marinelli

Jessica Sams

ADMINISTRATION

Joshua M. Englehart, Ed.S, Ph.D
Superintendent

Michael Chokshi
Assistant Superintendent

Sherri Samac
Treasurer/CFO

Annette Harris
Director of Student Services

Ruth Haines
Director, ELD Services

Heidi Fyffe-Yocum
*Director, State and Federal
Programs and Technology*

Wendy Camper
Director of Teaching and Learning

Ivan Salgado
Director of Operations

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2024

Finding Number	Finding Summary	Status	Additional Information
2023-001	Noncompliance Finding – Ohio Rev. Code 117.38; The District does not prepare GAAP basis financial statements.	Not Corrected	At this time, Painesville City Local School District has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the additional costs with filing under GAAP is not cost effective. Repeated as 2024-001.

This page intentionally left blank.



Engaging All Students Today for
Tomorrow's World

Painesville City Local Schools

58 Jefferson Street
Painesville, Ohio 44077

Telephone: (440) 392-5060
Fax: (440) 392-5089

www.pcls.net

BOARD OF EDUCATION

Kathleen Powers-Dolney
President

Dr. Frances Webb
Vice-President

Dorothy I. Jennings

Antonio Marinelli

Jessica Sams

ADMINISTRATION

Joshua M. Englehart, Ed.S, Ph.D
Superintendent

Michael Chokshi
Assistant Superintendent

Sherri Samac
Treasurer/CFO

Annette Harris
Director of Student Services

Ruth Haines
Director, ELD Services

Heidi Fyffe-Yocum
*Director, State and Federal
Programs and Technology*

Wendy Camper
Director of Teaching and Learning

Ivan Salgado
Director of Operations

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)
JUNE 30, 2024

2024-001

At this time, Painesville City Local School District has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition of costs with filing under GAAP is not cost effective.

N/A

Sherri Samac, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



PAINESVILLE CITY LOCAL 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 3/11/2025

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

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