



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Port Clinton City School District  
Ottawa County  
811 South Jefferson Street  
Port Clinton, Ohio 43452-2415

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by each fund type, and related notes of Port Clinton City School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2020.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Basis for Adverse Opinion***

As described in Note 2 of the financial statements, the District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2020, and the respective changes in financial position or cash flows thereof for the year then ended.

***Emphasis of Matters***

As discussed in Note 3.A to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 10.D to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2021

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCES (REGULATORY CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Cash Receipts</b>					
From local sources:					
Property taxes . . . . .	\$ 15,030,775	\$ -	\$ 2,197,359	\$ 610,377	\$ 17,838,511
Tuition . . . . .	1,016,122	-	-	-	1,016,122
Earnings on investments . . . . .	350,473	100	-	-	350,573
Charges for services . . . . .	-	181,760	-	-	181,760
Extracurricular . . . . .	76,993	183,594	-	-	260,587
Classroom materials and fees . . . . .	37,136	-	-	-	37,136
Rental income . . . . .	10,330	-	-	-	10,330
Contributions and donations . . . . .	37,616	240,421	-	51,000	329,037
Other local revenues . . . . .	71,834	8,331	-	33,450	113,615
Intergovernmental - state . . . . .	4,277,134	456,985	262,601	72,945	5,069,665
Intergovernmental - federal . . . . .	192,120	1,190,848	-	-	1,382,968
<b>Total Cash Receipts . . . . .</b>	<b>21,100,533</b>	<b>2,262,039</b>	<b>2,459,960</b>	<b>767,772</b>	<b>26,590,304</b>
<b>Cash Disbursements</b>					
Current:					
Instruction:					
Regular . . . . .	8,945,357	134,369	-	92,299	9,172,025
Special . . . . .	2,855,404	400,380	-	-	3,255,784
Vocational . . . . .	109,375	-	-	-	109,375
Other . . . . .	1,038,909	-	-	-	1,038,909
Support services:					
Pupil . . . . .	1,820,834	116,435	-	-	1,937,269
Instructional staff . . . . .	580,324	87,475	-	-	667,799
Board of education . . . . .	21,876	-	-	-	21,876
Administration . . . . .	1,606,045	112,871	-	-	1,718,916
Fiscal . . . . .	698,802	-	44,961	12,489	756,252
Operations and maintenance . . . . .	2,013,528	-	-	289,699	2,303,227
Pupil transportation . . . . .	821,809	-	-	159,936	981,745
Central . . . . .	128,302	12,168	-	29,976	170,446
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	632	120,619	-	-	121,251
Food service operations . . . . .	-	686,426	-	-	686,426
Extracurricular activities . . . . .	534,979	288,740	-	-	823,719
Facilities acquisition and construction . . . . .	-	-	-	2,013,713	2,013,713
Debt service:					
Principal retirement . . . . .	-	-	1,240,000	-	1,240,000
Interest and fiscal charges . . . . .	-	-	1,106,224	-	1,106,224
<b>Total Cash Disbursements . . . . .</b>	<b>21,176,176</b>	<b>1,959,483</b>	<b>2,391,185</b>	<b>2,598,112</b>	<b>28,124,956</b>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(75,643)</i>	<i>302,556</i>	<i>68,775</i>	<i>(1,830,340)</i>	<i>(1,534,652)</i>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of assets . . . . .	-	-	-	126	126
Transfers in . . . . .	200,000	-	-	-	200,000
Transfers (out) . . . . .	(200,000)	-	-	-	(200,000)
Reduction of prior year expenditure . . . . .	206	-	-	-	206
<b>Total Other Financing Receipts (Disbursements)</b>	<b>206</b>	<b>-</b>	<b>-</b>	<b>126</b>	<b>332</b>
Net Change in Fund Cash Balances . . . . .	(75,437)	302,556	68,775	(1,830,214)	(1,534,320)
<i>Fund Cash Balances, July 1 (Restated) . . . . .</i>	<i>10,460,805</i>	<i>354,484</i>	<i>2,031,418</i>	<i>3,586,778</i>	<i>16,433,485</i>
<b>Fund Cash Balances, June 30</b>					
Restricted . . . . .	-	717,395	2,100,193	1,692,548	4,510,136
Committed . . . . .	637,978	-	-	64,016	701,994
Assigned . . . . .	1,754,435	-	-	-	1,754,435
Unassigned (deficit) . . . . .	7,992,955	(60,355)	-	-	7,932,600
<b>Fund Cash Balances, June 30 . . . . .</b>	<b>\$ 10,385,368</b>	<b>\$ 657,040</b>	<b>\$ 2,100,193</b>	<b>\$ 1,756,564</b>	<b>\$ 14,899,165</b>

*The notes to the financial statements are an integral part of this statement*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND  
BALANCE (REGULATORY CASH BASIS) - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Internal Service</b>
<b>Operating Cash Receipts</b>	
Self insurance employee benefits. . . . .	\$ 1,988,951
<b>Operating Cash Disbursements</b>	
Purchased services. . . . .	1,735,452
<i>Net Change in Fund Cash Balance . . . . .</i>	253,499
<b>Fund Cash Balance, July 1. . . . .</b>	<b>1,045,739</b>
<b>Fund Cash Balance, June 30. . . . .</b>	<b>\$ 1,299,238</b>

*The notes to the financial statements are an integral part of this statement*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF ADDITIONS, DEDUCTIONS AND CHANGE IN FUND  
BALANCE (REGULATORY CASH BASIS) - FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Custodial</b>
<b>Additions</b>	
Extracurricular collections for OHSAA . . . .	\$ 7,388
<b>Deductions</b>	
Extracurricular distributions to OHSAA. . . .	8,094
<i>Net Change in Fund Cash Balance . . . .</i>	(706)
<b>Fund Cash Balance, July 1 (Restated). . .</b>	<b>706</b>
<b>Fund Cash Balance, June 30. . . . .</b>	<b>\$ -</b>

*The notes to the financial statements are an integral part of this statement*

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Port Clinton City School District, Ottawa County, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is staffed by 71 non-certified employees, 123 certified full-time teaching personnel, and 18 administrators who provide services to approximately 1,573 students and other community members. The District currently operates three instructional buildings, one administrative building, one athletic complex and one bus garage.

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

Although required by Ohio Admin. Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northern Ohio Educational Computer Association

Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among several school districts. NOECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. During the fiscal year, the District paid NOECA \$43,558 for its services. Financial information can be obtained by contacting Matt Bauer, who serves as Controller, at 4918 Milan Road, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Centers

The Vanguard-Sentinel Career and Technology Centers (VSCTC) is a political subdivision of the State of Ohio, which provides vocational education for students. The VSCTC is operated under direction of a Board consisting of one representative from the District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The VSCTC possesses its own budgeting and taxing authority. Financial information can be obtained from Alex Binger, Vanguard-Sentinel Career and Technology Centers, at 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) consists of various school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The item currently being purchased through BACG is natural gas. The only cost to the District is an administrative charge if they purchase something through the Council. The BACG consists of the superintendent of each school. The Board of Directors of the BACG consists of one elected representative from each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the Board serve two-year terms which are staggered. During the fiscal year, the District paid BACG \$44,693 for its services. Financial information can be obtained by contacting North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*INSURANCE PURCHASING POOLS*

Comp Management Compensation Group Retrospective Rating Plan

The District participates in a group retrospective rating plan for workers' compensation. The Comp Management Compensation Group Retrospective Rating Plan is a program where the District will continue to pay their individual bureau of workers' compensation premiums for the program year as required. The Bureau of Workers Compensation will evaluate the group's claim losses (compensation and medical costs, as well as claim reserves), at 12, 24 and 36 months following the end of the group retro policy year. If the Bureau of Workers Compensation findings result in a group retrospective premium calculation lower than the group's standard premium, participating employers may be entitled to a refund. Each year, the participating school districts pay an enrollment fee to Comp Management to cover the costs of administering the program.

Ohio School Benefits Cooperative

The District participates in a claims purchasing pool comprised of over thirty-five Districts. The Cooperative is governed by a nine-member Board of Directors, all of whom are administrators of participating Districts. All Cooperative revenues are generated from charges for services. Financial information can be obtained by writing to Scott Pittman, Treasurer, Muskingum Valley Educational Service Center, at 205 North 7<sup>th</sup> Street, Zanesville, Ohio 43701-3709.

Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Hylant Administrative Services, LLC, 811 Madison Avenue, Toledo, Ohio 43624.

*RELATED ORGANIZATION*

Ida Rupp Public Library

The Library is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The Trustees are appointed by the Port Clinton Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Financial information can be obtained from Ida Rupp Public Library, 310 Madison Street, Port Clinton, Ohio 43452.

*OTHER ORGANIZATION*

Immaculate Conception Catholic School

Within the District boundaries, the Immaculate Conception Catholic School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The money is recorded in the auxiliary fund as a Special Revenue Fund.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**B. Basis of Accounting**

Although required by Ohio Admin. Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**C. Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects and debt service) that are legally restricted to expenditure for specified purposes. The District had the following significant Special Revenue Funds:

*Food Services Fund* - This fund is used to record transactions related to food service operations.

*Title I – Disadvantaged Children / Targeted Assistance Fund (Title I Fund)* - This fund is used to account for federal monies to assist schools with high numbers or high percentages of children from low-income families in ensuring that all children meet challenging state academic standards.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

IDEA, Part B Special Education, Education of Handicapped Children Fund (IDEA, Part B Fund) - This fund is used to account for grants that assist states in providing an appropriate public education to all children with disabilities.

Debt Service Fund - The District has one Debt Service Fund. The Debt Service fund is used for the accumulation of resources for, and the payment of general obligation bond and energy conservation note long-term debt principal and interest.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources that are restricted or committed for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The District had the following significant Capital Projects Funds:

Permanent Improvement Fund - The fund is to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Rev. Code.

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

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's Internal Service Fund accounts for the activities of the self-insurance program for employee health benefits.

**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. The District did not have any Trust funds. Custodial funds are custodial in nature. The District's Custodial Fund accounts for Ohio High School Athletic Association tournaments.

**D. Basis of Presentation**

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, a statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the proprietary fund, and a statement of additions, deductions and change in fund balance (regulatory cash basis) for the fiduciary fund which are all organized on a fund type basis.



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**E. Budgets**

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. 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 investments" on the basic financial statements.

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.

During fiscal year 2020, investments were limited to nonnegotiable certificates of deposit, federal agency securities, municipal bonds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest receipts credited to the general fund during fiscal year 2020 amounted to \$350,473, which includes \$133,483 assigned from other funds.

**G. Restricted Assets**

Assets are reported as restricted fund cash balance when limitations on their use change normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any fund cash balance restricted by enabling legislation at year-end.

**H. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**I. Inventory and Prepaid Items**

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

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 8 and 9, employer contributions include portions for pension benefits and postretirement health care benefits.

**L. Long-Term Obligations**

The 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**M. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing receipts/disbursements in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**N. Total Columns on Financial Statements**

Total columns on the financial statements are captioned “Totals (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**O. Fund Balance**

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

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

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

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

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

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

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Fund Cash Balances**

For fiscal year 2020, the District has implemented GASB Statement No. 84 “Fiduciary Activities” and GASB Statement No. 90 “Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting Agency Funds. The District reviewed its Agency Funds and certain funds will be reported in the new fiduciary classification of Custodial Funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Fund cash balance					
previously reported	\$ 10,460,805	\$ 263,339	\$ 2,031,418	\$ 3,586,778	\$ 16,342,340
GASB Statement No. 84	-	91,145	-	-	91,145
Restated fund cash balance					
at June 30, 2019	<u>\$ 10,460,805</u>	<u>\$ 354,484</u>	<u>\$ 2,031,418</u>	<u>\$ 3,586,778</u>	<u>\$ 16,433,485</u>

Due to the implementation of GASB Statement No. 84, the new classification of Custodial Funds is reporting a beginning fund cash balance of \$706. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting Agency Funds. At June 30, 2019, Agency Funds reported fund cash balance of \$85,048. The District also reclassified \$6,803 from Private Purpose Trust Funds to Special Revenue.

**B. Deficit Fund Balances**

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit</u>
Public School Preschool	\$ 6,372
IDEA, Part B	18,265
Title I	14,331
IDEA Preschool Grant for the Handicapped	13,384
Improving Teacher Quality	8,003

The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit cash fund balances occurred in grant funds for which grant funding is provided on a reimbursement basis.

**C. Compliance**

Ohio Administrative Code, Section 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. 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred- eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Cash on Hand**

At fiscal year end, the District had \$4,654 in undeposited cash on hand.

**B. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$8,251,517 and the bank balance of all District deposits was \$9,105,585. Of the bank balance, \$336,652 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$8,768,933 was covered by the FDIC.

Custodial credit risk 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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2020, the District had the following investments and maturities:

Investment type	Carrying Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 40,232	\$ 40,232	\$ -	\$ -	\$ -	\$ -
Negotiable CDs	6,402,000	-	-	1,736,000	498,000	4,168,000
Ohio municipal bonds	500,000	-	-	500,000	-	-
FFCB	1,000,000	-	-	-	-	1,000,000
Total	\$ 7,942,232	\$ 40,232	\$ -	\$ 2,236,000	\$ 498,000	\$ 5,168,000

The weighted average maturity of investments is 3.13 years.

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Ohio municipal bonds were rated Aa2 and AA by Moody's Investor Services and Standard & Poor's, respectively. The negotiable CDs are fully covered by FDIC and are not rated. The District has no policy that would further limit its investment choices.

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

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**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 40,232	0.50
Negotiable CDs	6,402,000	80.61
Ohio municipal bonds	500,000	6.30
FFCB	1,000,000	12.59
Total	<u>\$ 7,942,232</u>	<u>100.00</u>

**D. Reconciliation of Cash to the Financial Statements**

The following is a reconciliation of cash as reported in the note above to cash as reported on the financial statements as of June 30, 2020:

<u>Cash per note:</u>	
Carrying amount of deposits	\$ 8,251,517
Investments	7,942,232
Cash on hand	<u>4,654</u>
Total	<u>\$ 16,198,403</u>
 <u>Cash per financial statements</u>	
Governmental funds	\$ 14,899,165
Internal service fund	<u>1,299,238</u>
Total	<u>\$ 16,198,403</u>

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property taxes received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property taxes received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Ottawa County. The County Auditor periodically advance to the District its portion of the taxes collected.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 637,051,410	96.06	\$ 645,972,030	95.84
Public utility personal	<u>26,131,440</u>	<u>3.94</u>	<u>28,040,940</u>	<u>4.16</u>
Total	<u>\$ 663,182,850</u>	<u>100.00</u>	<u>\$ 674,012,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$61.88		\$61.88	

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - LONG-TERM OBLIGATIONS**

During the fiscal year 2020, the following changes occurred in the District's long-term obligations:

	Balance			Balance	
	Outstanding			Outstanding	
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds:					
Current interest bonds - Series 2010	\$ 9,270,000	\$ -	\$ (1,200,000)	\$ 8,070,000	\$ 1,220,000
Capital appreciation bonds	79,900	-	-	79,900	-
Accreted interest	273,223	61,393	-	334,616	-
Current interest bonds - Series 2014	24,550,000	-	(40,000)	24,510,000	40,000
Capital appreciation bonds	29,999	-	-	29,999	-
Accreted interest	66,180	25,273	-	91,453	-
Total governmental activities	<u>\$ 34,269,302</u>	<u>\$ 86,666</u>	<u>\$ (1,240,000)</u>	<u>\$ 33,115,968</u>	<u>\$ 1,260,000</u>

*School Improvement General Obligation Bonds (Series 2010):* On February 24, 2010, the District issued general obligation school improvement bonds (Series 2010) to provide long-term financing of constructing, renovating, remodeling, adding to, furnishing, equipping and otherwise improving District buildings and facilities and acquiring, clearing and improving their sites, including, but not limited, to constructing, furnishing and equipping a new middle school and adding to, renovating and otherwise improving Bataan Memorial Elementary School. The issuance and the sale of the District's \$41,999,900 general obligation school improvement bonds consisted of \$2,074,900 school improvement series 2010A tax-exempt bonds, \$24,760,000 school improvement Build America Bonds and \$15,165,000 taxable school improvement tax credit bonds (qualified school construction bonds). On June 4, 2014, the District refinanced the \$24,760,000 school improvement Build America Bonds.

*School Improvement General Obligation Bonds (Series 2014):* On June 4, 2014, the District issued general obligation school improvement bonds (Series 2014) to refinance the Build America Bonds (Series 2010) in the amount of \$24,759,999. This issuance was to finance site preparation and the construction, renovation, remodeling, furnishing, equipment of buildings and facilities, including but not limited to the construction, furnishing and equipping of a new middle school and the expansion and renovation of Bataan Memorial Elementary School.

Principal and interest requirements to retire the general obligation bonds at June 30, 2020, are as follows:

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**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ended	Current Interest Bonds - Series 2010			Capital Appreciation Bonds - Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,220,000	\$ 127,212	\$ 1,347,212	\$ -	\$ -	\$ -
2022	1,240,000	106,365	1,346,365	-	-	-
2023	1,345,000	84,433	1,429,433	-	-	-
2024	1,370,000	61,340	1,431,340	-	-	-
2025	1,390,000	37,770	1,427,770	-	-	-
2026 - 2027	1,505,000	12,937	1,517,937	79,990	1,095,100	1,175,090
Total	<u>\$ 8,070,000</u>	<u>\$ 430,057</u>	<u>\$ 8,500,057</u>	<u>\$ 79,990</u>	<u>\$ 1,095,100</u>	<u>\$ 1,175,090</u>

  

Fiscal Year Ended	Current Interest Bonds - Series 2014			Capital Appreciation Bonds - Series 2014		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 40,000	\$ 957,662	\$ 997,662	\$ -	\$ -	\$ -
2022	40,000	956,763	996,763	-	-	-
2023	40,000	955,762	995,762	-	-	-
2024	40,000	954,713	994,713	-	-	-
2025	45,000	953,487	998,487	-	-	-
2026 - 2030	4,465,000	4,502,988	8,967,988	29,999	565,001	595,000
2031 - 2035	7,535,000	3,141,144	10,676,144	-	-	-
2036 - 2040	8,455,000	1,638,537	10,093,537	-	-	-
2041 - 2042	3,850,000	155,400	4,005,400	-	-	-
Total	<u>\$ 24,510,000</u>	<u>\$ 14,216,456</u>	<u>\$ 38,726,456</u>	<u>\$ 29,999</u>	<u>\$ 565,001</u>	<u>\$ 595,000</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$30,071,461 (including available funds of \$2,100,193) and an unvoted debt margin of \$674,013.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - RISK MANAGEMENT**

*Ohio School Plan* - The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools (Members).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator’s legal liability, automobile and violence coverages, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan’s paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan’s audited financial statements on their website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets	\$ 12,967,922	\$ 12,764,109	\$ 11,441,994
Liabilities	4,843,762	4,451,197	4,503,476
Net Position	8,124,160	8,312,912	6,938,518

You can read the complete audited financial statements for The Ohio School Plan at the Plan’s website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org) under “Financials”.

Coverages provided to the District through the Plan are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$89,037,713
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	10,000,000
Annual aggregate limit	12,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	10,000,000
Annual aggregate limit	12,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	10,000,000
Annual aggregate limit	12,000,000
Deductible	0

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Stop Gap	
Each accident	10,000,000
Disease each employee	10,000,000
Disease policy limit	10,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	10,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	250
Collision deductible	500

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

Workers' Compensation Group Rating Program - The District participates in a Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost 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 Comp Management provides administrative, cost control and actuarial services to the GRP.

Ohio School Benefits Cooperative - The District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool composed of thirty-five members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be local school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. The OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees. Participants pay a \$500 membership fee to OSBC. The OSBC offers two options to participants.

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On August 5, 2013, the District elected to participate in the self-insured purchasing program for medical, prescription drug and dental (joint insurance purchasing program for medical, prescription drug, and dental coverage).

Financial information can be obtained by writing to Scott Pittman, Treasurer, Muskingum Valley Educational Service Center, at 205 North 7<sup>th</sup> Street, Zanesville, Ohio 43701-3709.

*Self-Insurance* - As previously indicated, the District is self-insured for medical, prescription drug, and dental. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund balance to the actuarially-measured liability as of June 30 follows:

	<u>2020</u>	<u>2019</u>
Fund Balance	\$ 1,299,238	\$ 1,045,739
Actuarial Liabilities	187,816	198,504

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.



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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8- DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's contractually required contribution to SERS was \$464,277 for fiscal year 2020.

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

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,395,412 for fiscal year 2020.

***Net Pension Liability***

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

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.09732630%	0.08083655%	
Proportion of the net pension liability current measurement date	<u>0.09537600%</u>	<u>0.08145809%</u>	
Change in proportionate share	<u>-0.00195030%</u>	<u>0.00062154%</u>	
Proportionate share of the net pension liability	\$ 5,706,513	\$ 18,013,967	\$ 23,720,480

***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.

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 7,996,865	\$ 5,706,513	\$ 3,785,767

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 26,325,406	\$ 18,013,967	\$ 10,977,908

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/(Asset)*

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

The net OPEB liability/(asset) represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(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.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$43,957.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$43,957 for fiscal year 2020.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, 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, 2019, and the total OPEB liability/(asset) 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/(asset) prior measurement date	0.09745250%	0.08083655%	
Proportion of the net OPEB liability/(asset) current measurement date	<u>0.09477740%</u>	<u>0.08145809%</u>	
Change in proportionate share	<u>-0.00267510%</u>	<u>0.00062154%</u>	
Proportionate share of the net OPEB liability	\$ 2,383,452	\$ -	\$ 2,383,452
Proportionate share of the net OPEB (asset)	\$ -	\$ (1,349,141)	\$ (1,349,141)

***Actuarial Assumptions - SERS***

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

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

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

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**PORT CLINTON CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,893,059	\$ 2,383,452	\$ 1,978,255

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease		Current Trend Rate		1% Increase
District's proportionate share of the net OPEB liability	\$ 1,909,628		\$ 2,383,452		\$ 3,012,102

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

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

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Benefit Term Changes Since the Prior Measurement Date*** - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

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

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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

***Sensitivity of the District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate*** - The following table represents the net OPEB (asset) as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) 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.

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB (asset)	\$ (1,151,224)	\$ (1,349,141)	\$ (1,515,544)
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset)	\$ (1,529,864)	\$ (1,349,141)	\$ (1,127,799)

**NOTE 10 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the final fiscal year 2020 FTE reviews, an immaterial intergovernmental receivable was due from ODE to the District.

**D. COVID-19**

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - BUDGETARY BASIS OF ACCOUNTING**

Budgetary activity for the year ended June 30, 2020 follows:

**Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 20,710,514	\$ 21,300,739	\$ 590,225
Special Revenue	2,912,090	2,262,039	(650,051)
Debt Service	2,459,960	2,459,960	-
Capital Projects	720,379	767,898	47,519
Internal Service	1,901,807	1,988,951	87,144
Total	<u>\$ 28,704,750</u>	<u>\$ 28,779,587</u>	<u>\$ 74,837</u>

**Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,057,162	\$ 21,376,176	\$ 680,986
Special Revenue	2,609,815	2,121,109	488,706
Debt Service	2,396,815	2,391,185	5,630
Capital Projects	3,075,779	2,979,282	96,497
Internal Service	1,861,461	1,860,943	518
Total	<u>\$ 32,001,032</u>	<u>\$ 30,728,695</u>	<u>\$ 1,272,337</u>

**NOTE 12 - SET ASIDES**

The District is required by State law to annually set-aside certain General Fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 12 - SET ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	294,755
Current year qualifying disbursements	-
Current year offsets	<u>(683,322)</u>
Total	<u>\$ (388,567)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u><u>\$ -</u></u>

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

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program:		
Cash Assistance	10.553	\$ 50,254
COVID-19 Cash Assistance	10.553	<u>31,612</u>
Total School Breakfast Program		<u>81,866</u>
National School Lunch Program:		
Cash Assistance	10.555	213,699
COVID-19 Cash Assistance	10.555	68,692
Non-Cash Assistance (Food Distribution)	10.555	<u>36,591</u>
Total National School Lunch Program		<u>318,982</u>
Total Child Nutrition Cluster		<u>400,848</u>
Total U.S. Department of Agriculture		<u><b>400,848</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster (IDEA):</u>		
Special Education - Grants to States	84.027	316,165
Special Education - Preschool Grants	84.173	<u>13,384</u>
Total Special Education Cluster (IDEA)		329,549
Title I Grants to Local Educational Agencies	84.010	288,760
Supporting Effective Instruction State Grants	84.367	54,184
Student Support and Academic Enrichment Program	84.424	25,500
Total U.S. Department of Education		<u><b>697,993</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 1,098,841</b></u>

*The accompanying notes are an integral part of this schedule.*



**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Port Clinton City School District, Ottawa County, Ohio (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the fund balances or changes in fund balances of the District.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E - FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 98,781
Special Education - Grants to States	84.027	\$ 236,067
Special Education - Preschool Grants	84.173	\$ 7,264
Supporting Effective Instruction State Grants	84.367	\$ 27,708
Student Support and Academic Enrichment Program	84.424	\$ 28,958

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# OHIO AUDITOR OF STATE KEITH FABER



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

Port Clinton City School District  
Ottawa County  
811 South Jefferson Street  
Port Clinton, Ohio 43452-2415

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Port Clinton City School District, Ottawa County, Ohio (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated March 11, 2021, wherein we issued an adverse opinion on the District's financial statements because the District did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03. We also noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-002 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

***District's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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## 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

Port Clinton City School District  
Ottawa County  
811 South Jefferson Street  
Port Clinton, Ohio 43452-2415

To the Board of Education:

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

We have audited Port Clinton City School District, Ottawa County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Port Clinton City School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, Port Clinton City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 11, 2021

**PORT CLINTON CITY SCHOOL DISTRICT  
OTTAWA COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

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

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

**FINDING NUMBER 2020-001**

**Noncompliance Citation**

**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).

As a cost savings measure, the District prepared financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a risk for the District's assets and debt.

**FINDING NUMBER 2020-002**

**Material Weakness - Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.



**FINDING NUMBER 2020-002  
(Continued)**

The following errors requiring adjustment to the notes to the financial statements were identified:

- Special Revenue Fund Type budgeted receipts were decreased in the amount of \$293,726 in order to bring the amount reported in the Budgetary Basis of Accounting note to the financial statements in line with the authorized budget amount; and
- Special Revenue Fund Type, Capital Projects Fund Type, and Internal Service Fund Type budgetary expenditures were increased in the amounts of \$162,126, \$381,170, and \$128,491, respectively, in order to bring the amounts reported in the Budgetary Basis of Accounting note to the financial statements in line with actual activity.

These errors were not identified and corrected prior to the District preparing its notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The failure to adequately monitor financial statements and notes to the financial statements could allow for misstatements to occur and go undetected. The accompanying notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$505 to \$555,172 that we have brought to the District's attention.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board of Education to help identify and correct errors and omissions.

**Officials' Response:**

The District engaged a CPA firm to prepare the footnote disclosures. They have taken responsibility for this reporting error. Additional communication and review will take place next year to ensure that the amounts in the footnote accurately reflect the District budgetary data.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**Board of Education**

811 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.732.2102  
 419.734.4527 fax

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2020**

**Port Clinton High School**

821 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.734.2147  
 419.734.4276 fax

**Port Clinton Middle School**

807 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.734.4448  
 419.734.4440 fax

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Rev. Code § 117.38(A) and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than accounting principles generally accepted in the United States of America initially reported as Finding 2011-001.	Not corrected and reissued as Finding 2020-001 in this report.	This issue is due to the District choosing to file on a regulatory basis of accounting due to the additional costs of preparing the financial statements according to Generally Accepted Accounting Principles (GAAP) and the regulatory basis filing having no impact on the District's assets or debt.

**Bataan Memorial**

**Intermediate Elementary**

525 W. Sixth Street  
 Port Clinton, OH 43452  
 419.734.3931  
 419.734.3705 fax

**Bataan Memorial**

**Primary Elementary**

575 W. Sixth Street  
 Port Clinton, OH 43452  
 419.734.2815  
 419.960.7672 fax

**Board of Education**

811 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.732.2102  
 419.734.4527 fax

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**June 30, 2020**

**Port Clinton High School**

821 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.734.2147  
 419.734.4276 fax

**Finding Number:**  
**Planned Corrective Action:**

2020-001  
 Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient and does not present a risk for the District's assets and debt.

**Anticipated Completion Date:**  
**Responsible Contact Person:**

N/A  
 Jeff Dornbusch, Treasurer

**Port Clinton Middle School**

807 S. Jefferson Street  
 Port Clinton, OH 43452  
 419.734.4448  
 419.734.4440 fax

**Finding Number:**  
**Planned Corrective Action:**

2020-002  
 The District engaged a CPA firm to prepare the footnote disclosures. They have taken responsibility for this reporting error. Additional communication and review will take place next year to ensure that the amounts in the footnote accurately reflect the District budgetary data.

**Anticipated Completion Date:**  
**Responsible Contact Person:**

06/30/2021  
 Jeff Dornbusch, Treasurer

**Bataan Memorial**

**Intermediate Elementary**

525 W. Sixth Street  
 Port Clinton, OH 43452  
 419.734.3931  
 419.734.3705 fax

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# OHIO AUDITOR OF STATE KEITH FABER



**PORT CLINTON CITY SCHOOL DISTRICT**

**OTTAWA 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 3/30/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)