



OHIO AUDITOR OF STATE  
**KEITH FABER**





**INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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**INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Independence Local School District  
Cuyahoga County  
7733 Stone Road  
Independence, Ohio 44131

To the Board of Education:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio (the District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal controls relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021 and 2020, and the respective changes in cash financial position thereof and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 17 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**

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 21, 2022

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

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The discussion and analysis of the Independence Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2021 are as follows:

- Net position decreased \$28,787 from 2020.
- During the fiscal year, the School District made scheduled principal payments which decreased outstanding debt from \$9,455,000 to \$8,705,000.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Independence Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Independence Local School District, the general fund and bond retirement fund are the most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to 2020.

**Table 1**  
**Net Position –Cash Basis**

	Governmental Activities		
	2021	2020	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 17,787,952	\$ 17,816,739	\$ (28,787)
<b>Net Position</b>			
Restricted for:			
Capital Outlay	765,324	347,327	417,997
Debt Service	4,033,741	3,892,044	141,697
Student Activities	190,740	40,403	150,337
Other Purposes	25,850	124,611	(98,761)
Unrestricted	12,772,297	13,412,354	(640,057)
<i>Total Net Position</i>	<u>\$ 17,787,952</u>	<u>\$ 17,816,739</u>	<u>\$ (28,787)</u>

A portion of the School District's net position, \$5,015,655 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$12,772,297 may be used to meet the School District's ongoing obligations to students and creditors.

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**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2021 compared to the fiscal year 2020 for governmental activities.

**Table 2**  
**Changes in Net Position –Cash Basis**

	Governmental Activities		
	2021	2020	Change
<b>Receipts</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 406,934	\$ 732,984	\$ (326,050)
Operating Grants, Contributions and Interest	843,836	565,468	278,368
<i>Total Program Receipts</i>	<u>1,250,770</u>	<u>1,298,452</u>	<u>(47,682)</u>
<b>General Receipts</b>			
Property Taxes	14,957,079	15,076,553	(119,474)
Grants and Entitlements not Restricted	2,099,970	2,075,746	24,224
Payments in Lieu of Taxes	3,125,286	3,855,708	(730,422)
Proceeds from Refunding Bonds	-	8,925,000	(8,925,000)
Premium on Debt Refunding	-	1,072,747	(1,072,747)
Investment Earnings	150,661	337,882	(187,221)
Miscellaneous	285,373	286,723	(1,350)
<i>Total General Receipts</i>	<u>20,618,369</u>	<u>31,630,359</u>	<u>(11,011,990)</u>
<i>Total Receipts</i>	<u>21,869,139</u>	<u>32,928,811</u>	<u>(11,059,672)</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	9,383,222	8,976,475	406,747
Special	2,383,250	2,004,842	378,408
Student Intervention Services	85,317	17,900	67,417
Other	276,094	288,316	(12,222)
Support Services:			
Pupils	948,503	897,898	50,605
Instructional Staff	925,660	748,402	177,258
Board of Education	154,046	204,698	(50,652)
Administration	1,540,558	1,543,425	(2,867)
Fiscal	648,457	657,786	(9,329)
Business	101,563	141,074	(39,511)
Operation and Maintenance of Plant	1,958,352	1,997,715	(39,363)
Pupil Transportation	889,982	874,955	15,027
Central	43,123	37,165	5,958
Operation of Non-Instructional Services:			
Food Service Operations	325,962	351,349	(25,387)
Community Services	280,421	152,971	127,450
Extracurricular Activities	696,552	846,486	(149,934)
Capital Outlay	149,586	312,813	(163,227)
Debt Service:			
Principal Retirement	750,000	384,050	365,950
Interest and Fiscal Charges	357,278	950,528	(593,250)
Payment to Bond Escrow Agent	-	9,823,287	(9,823,287)
<i>Total Program Disbursements</i>	<u>21,897,926</u>	<u>31,212,135</u>	<u>(9,314,209)</u>
<i>Change in Net Position</i>	<u>(28,787)</u>	<u>1,716,676</u>	<u>(1,745,463)</u>
<i>Net Position Beginning of Year</i>	<u>17,816,739</u>	<u>16,100,063</u>	<u>1,716,676</u>
<i>Net Position End of Year</i>	<u>\$ 17,787,952</u>	<u>\$ 17,816,739</u>	<u>\$ (28,787)</u>

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

Decreases in food service receipts and tuition and fees account for the majority of the change in charges for services while grants from the Elementary and Secondary Emergency Relief and Coronavirus Relief programs contributed to the increase in operating grants, all were the result of the COVID-19 pandemic. Expiring TIF contracts coupled with the refunding proceeds and premium received in the prior year account for the decrease in receipts from fiscal year 2020. The School District hired additional instructional staff and supplies for on-line teaching due to the pandemic in addition to cleaning and sanitation supplies accounting for the increases in instructional expenses. The prior year refunding also accounts for the decrease in interest and fiscal charges and payment to bond escrow agent.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services, that is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements for fiscal year ended 2021 compared to the fiscal year ended 2020.

**Table 3**  
**Governmental Activities –Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2021	2020	2021	2020
<b>Program Disbursements</b>				
Instruction:				
Regular	\$ 9,383,222	\$ 8,976,475	\$ 9,142,516	\$ 8,648,806
Special	2,383,250	2,004,842	2,133,922	1,736,283
Student Intervention Services	85,317	17,900	85,317	17,900
Other	276,094	288,316	276,094	288,316
Support Services:				
Pupils	948,503	897,898	907,138	867,754
Instructional Staff	925,660	748,402	758,957	743,002
Board of Education	154,046	204,698	154,046	204,698
Administration	1,540,558	1,543,425	1,540,558	1,543,425
Fiscal	648,457	657,786	648,457	657,786
Business	101,563	141,074	101,563	141,074
Operation and Maintenance of Plant	1,958,352	1,997,715	1,906,127	1,992,924
Pupil Transportation	889,982	874,955	851,145	847,666
Central	43,123	37,165	43,123	37,165
Operation of Non-Instructional Services:				
Food Service Operations	325,962	351,349	186,882	146,287
Community Services	280,421	152,971	63,998	(66,277)
Extracurricular Activities	696,552	846,486	590,449	636,196
Capital Outlay	149,586	312,813	149,586	312,813
Debt Service:				
Principal Retirement	750,000	384,050	750,000	384,050
Interest and Fiscal Charges	357,278	950,528	357,278	950,528
Payment to Bond Escrow Agent	-	9,823,287	-	9,823,287
<b>Total</b>	<u>\$21,897,926</u>	<u>\$31,212,135</u>	<u>\$20,647,156</u>	<u>\$29,913,683</u>

The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. Program receipts only account for 6 percent of all governmental disbursements. The community, as a whole, is by far the primary support for the School District students.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$17,787,952, which is lower than the prior year balance of \$17,816,739.

The general fund's fund balance decreased \$453,354 from fiscal year 2020, which can be attributed to the increase in fiscal year expenditures, the reduced earnings on investments and cash settlements to the School District from BOR/BTA complaint. Transfers out also contributed to the decrease in fund balance.

The bond retirement fund balance increased \$141,697 over fiscal year 2020. This increase is attributed to the timing of debt service payments compared to receipts.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

***Original Budget Compared to Final Budget*** For general fund, there were no significant amendments made to budget basis receipts and other financing sources or budget basis disbursements and other financing uses.

***Final Budget Compared to Actual Results*** There was no significant difference between actual receipts and other financing sources and the final budget. Actual disbursements and other financing uses were lower than final budget basis disbursements and other financing uses, mainly due to cost saving related to the COVID-19 shutdown.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2021 and 2020.

**Table 4**  
**Outstanding Debt at June 30**

	Governmental Activities	
	2021	2020
Energy Conservation Bonds	\$ 505,000	\$ 595,000
2019 School Improvement Refunding Serial Bonds	8,200,000	8,860,000
<i>Total</i>	\$ 8,705,000	\$ 9,455,000

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*(Unaudited)*

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***Current Issues***

The Board of Education and administration closely monitor receipts and disbursements in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District decreased between the end of fiscal year 2021 and 2020 when the general fund unencumbered cash balance decreased to \$12,681,777 from \$12,965,552. The decrease of general fund cash balance is attributed to the increase in fiscal year expenditures, the reduced earnings on investments and cash settlements to the School District from BOR/BTA complaint. The School District projects to continue deficit spending to the end of fiscal year 2022, at which time the School District will evaluate the need to request additional receipts or reduce disbursements.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eric Koehler, Treasurer of Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or email at [ekoehler@independence.k12.oh.us](mailto:ekoehler@independence.k12.oh.us).

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2021*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 17,787,952
<b>Net Position</b>	
Restricted for:	
Capital Outlay	765,324
Debt Service	4,033,741
Student Activities	190,740
Other Purposes	25,850
Unrestricted	12,772,297
<i>Total Net Position</i>	\$ 17,787,952

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2021*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 9,383,222	\$ 240,706	\$ -	\$ (9,142,516)
Special	2,383,250	57,527	191,801	(2,133,922)
Student Intervention Services	85,317	-	-	(85,317)
Other	276,094	-	-	(276,094)
Support Services:				
Pupils	948,503	-	41,365	(907,138)
Instructional Staff	925,660	-	166,703	(758,957)
Board of Education	154,046	-	-	(154,046)
Administration	1,540,558	-	-	(1,540,558)
Fiscal	648,457	-	-	(648,457)
Business	101,563	-	-	(101,563)
Operation and Maintenance of Plant	1,958,352	-	52,225	(1,906,127)
Pupil Transportation	889,982	-	38,837	(851,145)
Central	43,123	-	-	(43,123)
Operation of Non-Instructional Services:				
Food Service Operations	325,962	7,460	131,620	(186,882)
Community Services	280,421	-	216,423	(63,998)
Extracurricular Activities	696,552	101,241	4,862	(590,449)
Capital Outlay	149,586	-	-	(149,586)
Debt Service:				
Principal Retirement	750,000	-	-	(750,000)
Interest and Fiscal Charges	357,278	-	-	(357,278)
<b>Totals</b>	<u>\$ 21,897,926</u>	<u>\$ 406,934</u>	<u>\$ 843,836</u>	<u>\$ (20,647,156)</u>

**General Receipts**

Property Taxes Levied for:	
General Purposes	13,343,581
Debt Service	1,012,856
Capital Outlay	600,642
Grants and Entitlements not Restricted to Specific Programs	2,099,970
Payments in Lieu of Taxes	3,125,286
Investment Earnings	150,661
Miscellaneous	285,373
<i>Total General Receipts</i>	<u>20,618,369</u>
<i>Change in Net Position</i>	(28,787)
<i>Net Position Beginning of Year</i>	<u>17,816,739</u>
<i>Net Position End of Year</i>	<u>\$ 17,787,952</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2021*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 12,774,943	\$ 4,033,741	\$ 979,268	\$ 17,787,952
<i>Total Assets</i>	<u>\$ 12,774,943</u>	<u>\$ 4,033,741</u>	<u>\$ 979,268</u>	<u>\$ 17,787,952</u>
<b>Fund Balances</b>				
Nonspendable	\$ 3,140	\$ -	\$ -	\$ 3,140
Restricted	-	4,033,741	978,774	5,012,515
Committed	-	-	494	494
Assigned	1,351,356	-	-	1,351,356
Unassigned	11,420,447	-	-	11,420,447
<i>Total Fund Balances</i>	<u>\$ 12,774,943</u>	<u>\$ 4,033,741</u>	<u>\$ 979,268</u>	<u>\$ 17,787,952</u>

See accompanying notes to the basic financial statements.



**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,343,581	\$ 1,012,856	\$ 600,642	\$ 14,957,079
Intergovernmental	2,031,081	144,077	763,632	2,938,790
Investment Income	150,661	-	154	150,815
Tuition and Fees	297,693	-	2,873	300,566
Extracurricular Activities	9,961	-	88,407	98,368
Gifts and Donations	-	-	4,862	4,862
Charges for Services	540	-	7,460	8,000
Payments in Lieu of Taxes	3,015,942	138	109,206	3,125,286
Miscellaneous	266,095	-	19,278	285,373
<i>Total Receipts</i>	<u>19,115,554</u>	<u>1,157,071</u>	<u>1,596,514</u>	<u>21,869,139</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,378,049	-	5,173	9,383,222
Special	2,279,547	-	103,703	2,383,250
Student Intervention Services	85,317	-	-	85,317
Other	276,094	-	-	276,094
Support Services:				
Pupils	907,138	-	41,365	948,503
Instructional Staff	758,957	-	166,703	925,660
Board of Education	154,046	-	-	154,046
Administration	1,540,558	-	-	1,540,558
Fiscal	626,193	14,174	8,090	648,457
Business	101,563	-	-	101,563
Operation and Maintenance of Plant	1,823,531	-	134,821	1,958,352
Pupil Transportation	791,730	-	98,252	889,982
Central	43,123	-	-	43,123
Extracurricular Activities	496,584	-	199,968	696,552
Operation of Non-Instructional Services:				
Food Service Operations	400	-	325,562	325,962
Community Services	-	-	280,421	280,421
Capital Outlay	-	-	149,586	149,586
Debt Service:				
Principal Retirement	90,000	660,000	-	750,000
Interest and Fiscal Charges	16,078	341,200	-	357,278
<i>Total Disbursements</i>	<u>19,368,908</u>	<u>1,015,374</u>	<u>1,513,644</u>	<u>21,897,926</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(253,354)</u>	<u>141,697</u>	<u>82,870</u>	<u>(28,787)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	200,000	200,000
Transfers Out	(200,000)	-	-	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(453,354)</u>	<u>141,697</u>	<u>282,870</u>	<u>(28,787)</u>
<i>Fund Balances Beginning of Year</i>	<u>13,228,297</u>	<u>3,892,044</u>	<u>696,398</u>	<u>17,816,739</u>
<i>Fund Balances End of Year</i>	<u>\$ 12,774,943</u>	<u>\$ 4,033,741</u>	<u>\$ 979,268</u>	<u>\$ 17,787,952</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and Other Financing Sources	\$ 18,889,760	\$ 19,009,760	\$ 19,087,317	\$ 77,557
Disbursements and Other Financing Uses	20,089,386	19,937,574	19,588,512	349,062
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(1,199,626)	(927,814)	(501,195)	426,619
<i>Fund Balance Beginning of Year</i>	12,965,552	12,965,552	12,965,552	-
Prior Year Encumbrances Appropriated	217,420	217,420	217,420	-
<i>Fund Balance End of Year</i>	<u>\$ 11,983,346</u>	<u>\$ 12,255,158</u>	<u>\$ 12,681,777</u>	<u>\$ 426,619</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Independence Local School District (the “School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Independence Local School District, this includes general operations, food service and student related activities of the School District.

**Parochial School** Within the School District boundaries, St. Michael’s School is operated through the Cleveland 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 School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

The School District participates in Connect, the Cuyahoga Valley Career Center, and the Ohio Schools’ Council Association, which are defined as jointly governed organizations, the Suburban Health Consortium, which is a risk sharing pool and the Ohio Association of School Business Officials (OASBO) Workers’ Compensation Group Rating Plan which is an insurance purchasing pool. These organizations are presented in Notes 11 and 12 to the basic financial statements.

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

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

*Basis of Presentation*

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

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

***Fund Accounting***

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

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

***General Fund*** The general fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to Ohio law.

***Bond Retirement Fund*** The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's custodial fund accounts for Ohio High School Athletic Association tournaments. For fiscal year 2021, there was no activity or balances to report since the School District did not host any tournaments.

***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

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

***Budgetary Process***

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

The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board of Education appropriations to the function and object levels within each fund.

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

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

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Cash and Investments***

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

During fiscal year 2021, investments were limited to a money market, government agency securities, certificates of deposit, commercial paper and STAR Ohio.

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

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

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$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.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2021 amounted to \$150,661 with \$40,794 assigned from other funds.

***Capital Assets***

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

***Interfund Receivables/Payables***

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

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***Accumulated Leave***

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

***Pensions and Other Postemployment Benefits (OPEB)***

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

***Long-Term Obligations***

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

***Interfund Transactions***

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year’s appropriated budget.

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

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

***Implementation of New Accounting Principles***

For the fiscal year ended June 30, 2021, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. Statement No. 93, *Replacement of Interbank Offered Rates*.



**Independence Local School District**  
**Cuyahoga County, Ohio**  
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GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

	General Fund
Cash Basis	\$ (453,354)
Funds Budgeted Elsewhere **	2,573
Adjustment for Encumbrances	(50,414)
Budget Basis	\$ (501,195)

\*\* As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund cash basis. This includes the unclaimed monies, uniform school supplies and public school support funds.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories:

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to 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 market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
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- 6) The State Treasurer's investment pool (STAR Ohio);
- 7) Certain bankers' acceptance and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days and two hundred seventy days, respectively; and,
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** At year-end, \$252,554 of the School District's bank balance of \$1,002,554 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**Investments**

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

Rating	Investment	Measurement Amount	Investment Maturity in Months			% Total
			0-12	13-36	Over 36	
	Net Asset Value:					
AAAm	STAR Ohio	\$ 10,084,251	\$ 10,084,251	\$ -	\$ -	59.36%
AAAm	Money Market Mutual Fund	8,886	8,886	-	-	0.05%
	Cost:					
AA+	Federal Home Loan Mortgage Corp	449,566	-	449,566	-	2.65%
AA+	Federal National Mortgage	878,656	-	389,555	489,101	5.17%
N/A	Negotiable Certificates of Deposit	3,942,584	1,723,204	2,219,380	-	23.20%
A-1	Commercial Paper	1,417,656	1,417,656	-	-	8.34%
A-1+	Commercial Paper	209,685	209,685	-	-	1.23%
		<u>\$ 16,991,284</u>	<u>\$ 13,443,682</u>	<u>\$ 3,058,501</u>	<u>\$ 489,101</u>	<u>100.00%</u>

**Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District’s investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

**Credit Risk** The School District has no investment policy dealing with credit risk beyond the requirements in State statutes. Ohio law requires government and agency mutual funds and STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54 days.

**Concentration of Credit Risk** The School District places no limit on the amount that may be invested in any one issuer.

**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

**Independence Local School District**  
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*For the Fiscal Year Ended June 30, 2021*

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

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 452,582,260	93%	\$ 463,541,590	93%
Public Utility	31,782,550	7%	32,443,030	7%
<b>Total</b>	<b>\$ 484,364,810</b>	<b>100%</b>	<b>\$ 495,984,620</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	<u>\$ 35.70</u>		<u>\$ 35.30</u>	

**NOTE 6 – INTERFUND TRANSFERS**

Transfers are made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization. During the fiscal year the general fund made a transfer to the food service fund in the amount of \$150,000 and the district managed activities fund of \$50,000.

**NOTE 7 – RISK MANAGEMENT**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks were covered by commercial insurance purchased from independent third parties.

During the fiscal year, the School District contracted for insurance coverage for property, crime and inland marine insurance; for boilers; and for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$5,000 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$1,000 deductible. The employee dishonesty insurance has coverage up to \$1,000,000 with a \$500 deductible.

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Employee Benefits liability is protected with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and with a \$1,000 deductible. Vehicles are also covered and hold a \$250 and \$500 deductible for comprehensive and collision, respectively. Automobile liability has a \$1,000,000 combined single limit of liability. The School District also has an Umbrella policy with a limit of \$7,000,000.

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

***Workers' Compensation***

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. Comp Management provides administrative, cost control and actuarial services to the GRP.

***Employee Health Benefits***

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 12) to provide medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing School District subsequent to the settlement of all expenses and claims.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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

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***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

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

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Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School District’s contractually required contribution to SERS was \$293,378 for fiscal year 2021.

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

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



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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,219,664 for fiscal year 2021.

***Net Pension Liability***

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06400430%	0.06832809%	
Prior Measurement Date	0.06572320%	0.06642749%	
Change in Proportionate Share	-0.00171890%	0.00190060%	
Proportionate Share of the Net Pension Liability	\$ 4,233,379	\$ 16,532,967	\$ 20,766,346

***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 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. Future benefits for all current plan members were projected through 2130.

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent 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 investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 5,799,213	\$ 4,233,379	\$ 2,919,615

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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

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

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the County's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 23,540,066	\$ 16,532,967	\$ 10,595,033

**NOTE 9 - DEFINED BENEFIT OPEB PLANS**

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$42,601.

***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 were 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.

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

***Net OPEB Liability (Asset)***

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

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.06640500%	0.06832800%
Prior Measurement Date	0.06720600%	0.06642700%
Change in Proportionate Share	-0.00080100%	0.00190100%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,443,191	\$ (1,200,863)

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

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

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



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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,766,438	\$ 1,443,191	\$ 1,186,222
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,136,409	\$ 1,443,191	\$ 1,853,454

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***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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

**Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,044,829)	\$ (1,200,863)

  

	1% Decrease	Current Trend Rate	1% Increase
	School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,325,035)	\$ (1,200,863)

**Independence Local School District**  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding Balance 6/30/2020	Additions	Deductions	Outstanding Balance 6/30/2021	Amount Due in One Year
<i>General Obligation Bonds:</i>					
<b>Energy Conservation Bonds</b>	\$ 595,000	\$ -	\$ 90,000	\$ 505,000	\$ 90,000
<b>2019 Refunding Bonds</b>					
Current Interest Serial Bonds	8,860,000	-	660,000	8,200,000	680,000
<i>Total Governmental Long-Term Obligations</i>	<u>\$ 9,455,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 8,705,000</u>	<u>\$ 770,000</u>

General obligation debt will be paid from the general fund and bond retirement fund.

*Energy Conservation Bonds* – Energy conservation bonds in the amount of \$1,250,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on November 22, 2011 with interest rates ranging from 1.25 to 3.25 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 15 year period with the final payment due on December 1, 2026. The bonds will be retired from the general fund.

*2019 Refunding School Improvement General Obligation Bonds* – On September 17, 2019 the School District issued \$8,925,000 in voted general obligation bonds. The bonds refunded \$6,510,000 of outstanding 2011 School Improvement General Obligation Refunding Bonds and \$3,215,000 of outstanding 2012 School Improvement General Obligation Refunding Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$9,823,287 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The refunding reduced cash flows required for debt service by \$457,713 over the next eighteen years and resulted in an economic gain of \$413,925.

The bonds were issued with a premium of \$1,072,747 and issuance costs of \$172,453. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$98,287.

The bond issue consists of current interest serial bonds. The serial bonds were issued with an interest rate of 4.00 percent.

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Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Refunding Bonds		Energy Conservation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 680,000	\$ 328,000	\$ 90,000	\$ 13,693	\$ 770,000	\$ 341,693
2023	710,000	300,800	95,000	11,195	805,000	311,995
2024	735,000	272,400	15,000	94,913	750,000	367,313
2025	765,000	243,000	100,000	8,288	865,000	251,288
2026	795,000	212,400	100,000	5,038	895,000	217,438
2027 - 2031	4,515,000	556,200	105,000	1,706	4,620,000	557,906
	<u>\$ 8,200,000</u>	<u>\$ 1,912,800</u>	<u>\$ 505,000</u>	<u>\$ 134,831</u>	<u>\$ 8,705,000</u>	<u>\$ 2,047,631</u>

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

**Connect** Connect is a jointly governed Information Technology Center (ITC) owned and operated by the Educational Service Centers of Medina, Cuyahoga and Lorain Counties along with the Ohio Schools Council. Per the Owner-Member Agreement, ninety-five percent of the ownership of the organization is allocated among the three educational service centers based upon the proportion of students in each of the three counties that are served by Connect. The purpose of the organization is to maintain and expand technology and support services to member organizations. Further information may be obtained by contacting the Director at 6393 Oak Tree Blvd., Suite 105, Independence, Ohio 44131.

**Cuyahoga Valley Career Center** The Cuyahoga Valley Career Center (a joint vocational School District) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating School District's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

**Ohio Schools' Council Association** The Ohio Schools' Council (OSC) is a jointly governed organization among 200 School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The OSC's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any School District is limited to its representation on the Board. In fiscal year 2021 the School District paid \$4,887 to the OSC for various programs. Financial information can be obtained by contacting Kelly Rocco, Office Manager, Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

**Independence Local School District**  
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The School District participates in the OSC's electric purchase program, which was implemented during fiscal year 1998 and the natural gas program that was implemented during fiscal year 2000. The electric purchase program allows School Districts to purchase electricity at reduced rates, if the School Districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas program allows School Districts to purchase natural gas at reduced rates, if the School Districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

**NOTE 12 – PUBLIC ENTITY RISK POOLS**

***Risk Sharing Pool***

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating School Districts, based on the established premiums for the insurance plans. Each School District reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

***Insurance Purchasing Pool***

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

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 – Contingencies and Significant Commitments**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

***Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***School District Funding***

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. ODE finalized the impact of the enrollment adjustments for the June 30, 2021 foundation funding period for the District noting the financial impact was immaterial and therefore will not be disclosed.

***Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$54,060 in the general fund and \$27,099 in other governmental funds.

***Contractual Commitments***

The School District had an outstanding contractual commitment for roof replacement for the high school in the amount of \$1,390,000 at June 30, 2021.

Based on timing of when contracts are encumbered, the contractual commitment identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**NOTE 14 – FUND BALANCE**

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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The constraints placed on fund balance for major funds and all other governmental funds are presented as follows:

	General	Bond Retirement	Other Governmental	Total
Nonspendable for:				
Unclaimed Monies	\$ 3,140	\$ -	\$ -	\$ 3,140
Restricted for:				
Debt Service	-	4,033,741	-	4,033,741
Capital Outlay	-	-	765,324	765,324
Student Activities	-	-	190,740	190,740
Auxiliary Services	-	-	2,270	2,270
Other Purposes	-	-	20,440	20,440
Total Restricted	-	4,033,741	978,774	5,012,515
Committed for:				
Student Activities	-	-	494	494
Assigned for:				
Encumbrances:				
Instruction	3,721	-	-	3,721
Support Services	46,693	-	-	46,693
Other Purposes	24,308	-	-	24,308
Subsequent Year Appropriations	1,276,634	-	-	1,276,634
Total Assigned	1,351,356	-	-	1,351,356
Unassigned	11,420,447	-	-	11,420,447
<i>Total Fund Balance</i>	<u>\$ 12,774,943</u>	<u>\$ 4,033,741</u>	<u>\$ 979,268</u>	<u>\$ 17,787,952</u>

**NOTE 15 - SET-ASIDES**

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

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



**Independence Local School District**  
**Cuyahoga County, Ohio**  
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	<b>Capital Improvement Reserve</b>
Set Aside Restricted Balance June 30, 2020	\$ -
Current Year Set Aside Requirement	186,061
Current Year Qualifying Disbursements	(206,126)
Total	\$ (20,065)
Balance Carried Forward to Fiscal Year 2022	\$ -
Set Aside Restricted Balance June 30, 2021	\$ -

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

**NOTE 16 - COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2021, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 17 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 18 – SUBSEQUENT EVENT**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$209,815 in revenue and expenditures/expense related to these programs.

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**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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The discussion and analysis of the Independence Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2020 are as follows:

- Net position increased \$1,716,676, which represents an 11 percent increase over 2019.
- During the fiscal year, the School District refunded \$9,725,000 in general obligation bonds in addition to making scheduled principal payments which decreased outstanding debt from \$10,639,050 to \$9,455,000.
- The School District implemented GASB 84, which increased beginning net position, as previously reported, by \$230,138 for governmental activities. See Note 2.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Independence Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Independence Local School District, the general fund and bond retirement fund are the most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Independence Local School District**  
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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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*(Unaudited)*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2020 compared to 2019.

**Table 1**  
**Net Position –Cash Basis**

	Governmental Activities		
	2020	Restated 2019	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 17,816,739	\$ 16,100,063	\$ 1,716,676
<b>Net Position</b>			
Restricted for:			
Capital Outlay	347,327	287,752	59,575
Debt Service	3,892,044	3,717,213	174,831
Student Activities	40,403	66,458	(26,055)
Other Purposes	124,611	46,893	77,718
Unrestricted	13,412,354	11,981,747	1,430,607
<i>Total Net Position</i>	<u>\$ 17,816,739</u>	<u>\$ 16,100,063</u>	<u>\$ 1,716,676</u>

A portion of the School District's net position, \$4,404,385 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$13,412,354 may be used to meet the School District's ongoing obligations to students and creditors.

Cash showed an increase over prior year, primarily due to increases in receipts for property tax and payments in lieu of taxes from the new contracts for tax increment financing.

Table 2 shows the changes in net position for fiscal year 2020 compared to the fiscal year 2019 for governmental activities.

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**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

**Table 2**  
**Changes in Net Position –Cash Basis**

	Governmental Activities		
	2020	2019	Change
<b>Receipts</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 732,984	\$ 626,665	\$ 106,319
Operating Grants, Contributions and Interest	565,468	575,520	(10,052)
<i>Total Program Receipts</i>	<u>1,298,452</u>	<u>1,202,185</u>	<u>96,267</u>
<b>General Receipts</b>			
Property Taxes	15,076,553	14,437,424	639,129
Grants and Entitlements not Restricted	2,075,746	2,150,596	(74,850)
Payments in Lieu of Taxes	3,855,708	3,498,298	357,410
Proceeds from Refunding Bonds	8,925,000	0	8,925,000
Premium on Debt Refunding	1,072,747	0	1,072,747
Investment Earnings	337,882	377,446	(39,564)
Miscellaneous	286,723	187,901	98,822
<i>Total General Receipts</i>	<u>31,630,359</u>	<u>20,651,665</u>	<u>10,978,694</u>
<i>Total Receipts</i>	<u>32,928,811</u>	<u>21,853,850</u>	<u>11,074,961</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	8,976,475	8,478,165	498,310
Special	2,004,842	2,061,997	(57,155)
Student Intervention Services	17,900	19,082	(1,182)
Other	288,316	301,068	(12,752)
Support Services:			
Pupils	897,898	781,646	116,252
Instructional Staff	748,402	739,453	8,949
Board of Education	204,698	148,014	56,684
Administration	1,543,425	1,494,147	49,278
Fiscal	657,786	607,352	50,434
Business	141,074	160,766	(19,692)
Operation and Maintenance of Plant	1,997,715	1,822,119	175,596
Pupil Transportation	874,955	1,054,795	(179,840)
Central	37,165	48,475	(11,310)
Operation of Non-Instructional Services:			
Food Service Operations	351,349	311,944	39,405
Community Services	152,971	348,383	(195,412)
Extracurricular Activities	846,486	683,926	162,560
Capital Outlay	312,813	563,451	(250,638)
Debt Service:			
Principal Retirement	384,050	370,943	13,107
Interest and Fiscal Charges	950,528	780,792	169,736
Payment to Bond Escrow Agent	9,823,287	0	9,823,287
<i>Total Program Disbursements</i>	<u>31,212,135</u>	<u>20,776,518</u>	<u>10,435,617</u>
<i>Change in Net Position</i>	1,716,676	1,077,332	639,344
<i>Net Position Beginning of Year</i>	16,100,063	14,792,593	1,307,470
<i>Restatement - See Note 2</i>	0	230,138	(230,138)
<i>Net Position End of Year</i>	<u>\$ 17,816,739</u>	<u>\$ 16,100,063</u>	<u>\$ 1,716,676</u>

Program receipts remained fairly constant; however, payments in lieu of taxes increased over prior year due to additional TIF contracts. The decrease in capital outlay can be attributed to expenses for roof repairs incurred in the prior year while a matured capital appreciation bond accounts for the increase in interest and fiscal charges. The School District refunded two bond issues in fiscal year 2020.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services, that is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements for fiscal year ended 2020 compared to the fiscal year ended 2019.

**Table 3**  
**Governmental Activities –Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2020	2019	2020	2019
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 8,976,475	\$ 8,478,165	\$ 8,648,806	\$ 8,167,974
Special	2,004,842	2,061,997	1,736,283	1,790,759
Student Intervention Services	17,900	19,082	17,900	19,082
Other	288,316	301,068	288,316	301,068
Support Services:				
Pupils	897,898	781,646	867,754	781,646
Instructional Staff	748,402	739,453	743,002	734,053
Board of Education	204,698	148,014	204,698	148,014
Administration	1,543,425	1,494,147	1,543,425	1,494,147
Fiscal	657,786	607,352	657,786	607,352
Business	141,074	160,766	141,074	160,766
Operation and Maintenance of Plant	1,997,715	1,822,119	1,992,924	1,816,068
Pupil Transportation	874,955	1,054,795	847,666	1,003,030
Central	37,165	48,475	37,165	48,475
Operation of Non-Instructional Services:				
Food Service Operations	351,349	311,944	146,287	54,002
Community Services	152,971	348,383	(66,277)	97,521
Extracurricular Activities	846,486	683,926	636,196	635,190
Capital Outlay	312,813	563,451	312,813	563,451
Debt Service:				
Principal Retirement	384,050	370,943	384,050	370,943
Interest and Fiscal Charges	950,528	780,792	950,528	780,792
Payment to Bond Escrow Agent	9,823,287	0	9,823,287	0
<b><i>Total</i></b>	<b><u>\$31,212,135</u></b>	<b><u>\$20,776,518</u></b>	<b><u>\$29,913,683</u></b>	<b><u>\$19,574,333</u></b>

The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. Program receipts only account for 4 percent of all governmental disbursements. The community, as a whole, is by far the primary support for the School District students.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$17,816,739, which is higher than the prior year restated balance of \$16,100,063.

The general fund's fund balance increased \$1,453,312 from fiscal year 2019. While disbursements remained somewhat consistent with the prior year, the increase in TIF collections, as discussed previously, partially contributed to the increase in fund balance. As in the prior year, receipts outpaced disbursements.

The bond retirement fund balance increased \$174,831 from fiscal year 2019. This increase is attributed to the timing of debt service payments compared to receipts.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

***Original Budget Compared to Final Budget*** For the general fund, final budget basis receipts and other financing sources were higher than original budget mainly due to payment in lieu of taxes originally being estimated lower. There were no significant amendments made to budget basis disbursements and other financing uses.

***Final Budget Compared to Actual Results*** There was no significant difference between actual receipts and other financing sources and the final budget. Actual disbursements and other financing uses were lower than final budget basis disbursements and other financing uses, mainly due to cost saving related to the COVID-19 shutdown.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2020 and 2019.

**Table 4**  
**Outstanding Debt at June 30**

	Governmental Activities	
	2020	2019
Energy Conservation Bonds	\$ 595,000	\$ 685,000
2011 School Improvement Serial and Capital Appreciation Bonds	0	6,739,050
2012 School Improvement Serial and Term Bonds	0	3,215,000
2019 School Improvement Refunding Serial Bonds	8,860,000	0
<i>Total</i>	\$ 9,455,000	\$ 10,639,050

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.



**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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***Current Issues***

The Board of Education and administration closely monitor receipts and disbursements in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District improved between the end of fiscal year 2020 and 2019 when the general fund unencumbered cash balance increased to \$12,965,552 from \$11,669,573. The growth is largely due to an increase in the School District's Tax Board of Revisions Settlements with property owners for direct payments to the School District, which resulted in increased other revenue and expenditures trending below projections due to the COVID-19 shutdown. Also a decrease in Board of Revisions complaints led to the School District experiencing lower than estimated refunds back to taxpayers. The School District is projecting to begin deficit spending at the end of fiscal year 2021, at which time the School District will evaluate the need to request additional receipts or reduce disbursements.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eric Koehler, Treasurer of Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or email at [ekoehler@independence.k12.oh.us](mailto:ekoehler@independence.k12.oh.us).

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2020*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 17,816,739
<b>Net Position</b>	
Restricted for:	
Capital Outlay	347,327
Debt Service	3,892,044
Student Activities	40,403
Other Purposes	124,611
Unrestricted	13,412,354
<i>Total Net Position</i>	\$ 17,816,739

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2020*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 8,976,475	\$ 327,669	\$ 0	\$ (8,648,806)
Special	2,004,842	46,390	222,169	(1,736,283)
Student Intervention Services	17,900	0	0	(17,900)
Other	288,316	0	0	(288,316)
Support Services:				
Pupils	897,898	0	30,144	(867,754)
Instructional Staff	748,402	0	5,400	(743,002)
Board of Education	204,698	0	0	(204,698)
Administration	1,543,425	0	0	(1,543,425)
Fiscal	657,786	0	0	(657,786)
Business	141,074	0	0	(141,074)
Operation and Maintenance of Plant	1,997,715	0	4,791	(1,992,924)
Pupil Transportation	874,955	0	27,289	(847,666)
Central	37,165	0	0	(37,165)
Operation of Non-Instructional Services:				
Food Service Operations	351,349	177,093	27,969	(146,287)
Community Services	152,971	0	219,248	66,277
Extracurricular Activities	846,486	181,832	28,458	(636,196)
Capital Outlay	312,813	0	0	(312,813)
Debt Service:				
Principal Retirement	384,050	0	0	(384,050)
Interest and Fiscal Charges	950,528	0	0	(950,528)
Payment to Bond Escrow Agent	9,823,287	0	0	(9,823,287)
<b>Totals</b>	<b>\$ 31,212,135</b>	<b>\$ 732,984</b>	<b>\$ 565,468</b>	<b>\$ (29,913,683)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	13,394,063
Debt Service	1,087,030
Capital Outlay	595,460
Grants and Entitlements not Restricted to Specific Programs	2,075,746
Payments in Lieu of Taxes	3,855,708
Proceeds from Refunding Bonds	8,925,000
Premium on Debt Refunding	1,072,747
Investment Earnings	337,882
Miscellaneous	286,723

*Total General Receipts* 31,630,359

*Change in Net Position* 1,716,676

*Net Position Beginning of Year, Restated, See Note 2* 16,100,063

*Net Position End of Year* \$ 17,816,739

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 13,228,297	\$ 3,892,044	\$ 696,398	\$ 17,816,739
<i>Total Assets</i>	<u>\$ 13,228,297</u>	<u>\$ 3,892,044</u>	<u>\$ 696,398</u>	<u>\$ 17,816,739</u>
<b>Fund Balances</b>				
Nonspendable	\$ 3,140	\$ 0	\$ 0	\$ 3,140
Restricted	0	3,892,044	509,201	4,401,245
Committed	0	0	187,197	187,197
Assigned	1,227,526	0	0	1,227,526
Unassigned	11,997,631	0	0	11,997,631
<i>Total Fund Balances</i>	<u>\$ 13,228,297</u>	<u>\$ 3,892,044</u>	<u>\$ 696,398</u>	<u>\$ 17,816,739</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,394,063	\$ 1,087,030	\$ 595,460	\$ 15,076,553
Intergovernmental	2,017,543	151,393	442,861	2,611,797
Investment Income	337,882	0	959	338,841
Tuition and Fees	307,641	0	404	308,045
Extracurricular Activities	18,710	0	181,428	200,138
Gifts and Donations	0	0	28,458	28,458
Charges for Services	1,100	0	177,093	178,193
Payments in Lieu of Taxes	3,743,290	0	112,418	3,855,708
Rent	46,608	0	0	46,608
Miscellaneous	233,761	2,144	50,818	286,723
<i>Total Receipts</i>	<u>20,100,598</u>	<u>1,240,567</u>	<u>1,589,899</u>	<u>22,931,064</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	8,941,760	0	34,715	8,976,475
Special	1,900,272	0	104,570	2,004,842
Student Intervention Services	17,900	0	0	17,900
Other	288,316	0	0	288,316
Support Services:				
Pupils	867,754	0	30,144	897,898
Instructional Staff	743,002	0	5,400	748,402
Board of Education	204,698	0	0	204,698
Administration	1,543,425	0	0	1,543,425
Fiscal	636,103	14,036	7,647	657,786
Business	141,074	0	0	141,074
Operation and Maintenance of Plant	1,678,368	0	319,347	1,997,715
Pupil Transportation	863,030	0	11,925	874,955
Central	37,165	0	0	37,165
Extracurricular Activities	525,201	0	321,285	846,486
Operation of Non-Instructional Services:				
Food Service Operations	800	0	350,549	351,349
Community Services	0	0	152,971	152,971
Capital Outlay	0	0	312,813	312,813
Debt Service:				
Principal Retirement	90,000	294,050	0	384,050
Interest and Fiscal Charges	18,418	932,110	0	950,528
<i>Total Disbursements</i>	<u>18,497,286</u>	<u>1,240,196</u>	<u>1,651,366</u>	<u>21,388,848</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,603,312</u>	<u>371</u>	<u>(61,467)</u>	<u>1,542,216</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	150,000	150,000
Refunding Bonds Issued	0	8,925,000	0	8,925,000
Premium on Refunding Bonds Issued	0	1,072,747	0	1,072,747
Payment to Refunded Bond Escrow Agent	0	(9,823,287)	0	(9,823,287)
Transfers Out	(150,000)	0	0	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,000)</u>	<u>174,460</u>	<u>150,000</u>	<u>174,460</u>
<i>Net Change in Fund Balances</i>	1,453,312	174,831	88,533	1,716,676
<i>Fund Balances Beginning of Year</i> <i>Restated, See Note 2</i>	<u>11,774,985</u>	<u>3,717,213</u>	<u>607,865</u>	<u>16,100,063</u>
<i>Fund Balances End of Year</i>	<u>\$ 13,228,297</u>	<u>\$ 3,892,044</u>	<u>\$ 696,398</u>	<u>\$ 17,816,739</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and Other Financing Sources	\$ 17,839,014	\$ 19,973,559	\$ 20,046,296	\$ 72,737
Disbursements and Other Financing Uses	19,324,794	19,543,724	18,811,305	732,419
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(1,485,780)	429,835	1,234,991	805,156
<i>Fund Balance Beginning of Year</i>	11,669,573	11,669,573	11,669,573	0
Prior Year Encumbrances Appropriated	60,988	60,988	60,988	0
<i>Fund Balance End of Year</i>	<u>\$ 10,244,781</u>	<u>\$ 12,160,396</u>	<u>\$ 12,965,552</u>	<u>\$ 805,156</u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*June 30, 2020*

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	<u>Custodial Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 0</u>
<b>Net Position</b>	
Restricted for Tournaments	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Custodial Fund
<b>Additions</b>	
Amounts Received for Others	\$ 2,554
 <b>Deductions</b>	
Distributions to Others	2,554
 <i>Change in Net Position</i>	0
 <i>Net Position Beginning of Year</i>	0
 <i>Net Position End of Year</i>	\$ 0

See accompanying notes to the basic financial statements.



**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 – Description of the School District and Reporting Entity**

Independence Local School District (the “School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Independence Local School District, this includes general operations, food service and student related activities of the School District.

**Parochial School** Within the School District boundaries, St. Michael's School is operated through the Cleveland 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 School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

The School District participates in Connect, the Cuyahoga Valley Career Center, and the Ohio Schools' Council Association, which are defined as jointly governed organizations, the Suburban Health Consortium, which is a risk sharing pool and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan which is an insurance purchasing pool. These organizations are presented in Notes 11 and 12 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

***Fund Accounting***

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

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

***General Fund*** The general fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to Ohio law.

***Bond Retirement Fund*** The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's custodial fund accounts for Ohio High School Athletic Association tournaments.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

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

***Budgetary Process***

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

The appropriation resolution is the Board of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board of Education appropriations to the function and object levels within each fund.

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

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

***Cash and Investments***

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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During fiscal year 2020, investments were limited to a money market, government agency securities, certificates of deposit, commercial paper and STAR Ohio.

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

During fiscal year 2020, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the 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.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2020 amounted to \$337,882 with \$89,217 assigned from other funds.

***Capital Assets***

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

***Interfund Receivables/Payables***

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

***Accumulated Leave***

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

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***Pensions and Other Postemployment Benefits (OPEB)***

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

***Long-Term Obligations***

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

***Interfund Transactions***

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year's appropriated budget.

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

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

***Implementation of New Accounting Principles and Restatement of Net Position/Fund Balances***

For the fiscal year ended June 30, 2020, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

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For the fiscal year ended June 30, 2020, the School District has (to the extent it applies to the cash basis of accounting) early implemented GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92 *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

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 School District will no longer be reporting agency funds. The School District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the School District's financial statements (see below).

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

The implementation of GASB 84 had the following effect on net position as reported June 30, 2019:

	Governmental Activities
Net Position, June 30, 2019	\$ 15,869,925
GASB Statement No. 84	230,138
Restated Net Position, June 30, 2019	\$ 16,100,063

The implementation of GASB 84 had the following effect on fund balance as reported June 30, 2019:

	General Fund	General Bond Retirement Fund	Other Governmental Funds
Fund Balance, June 30, 2019	\$ 11,774,985	\$ 3,717,038	\$ 377,902
GASB Statement No. 84	0	175	229,963
Restated Fund Balance, June 30, 2019	\$ 11,774,985	\$ 3,717,213	\$ 607,865

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The implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2019:

	Fiduciary Funds	
	Private Purpose	
	Trust	Agency
Net Position, June 30, 2019	\$ 9,219	\$ 220,919
GASB Statement No. 84	(9,219)	(220,919)
Restated Net Position, June 30, 2019	\$ 0	\$ 0

**Note 3 - Budgetary Basis of Accounting**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

	General Fund
Cash Basis	\$ 1,453,312
Funds Budgeted Elsewhere	(901)
Adjustment for Encumbrances	(217,420)
Budget Basis	\$ 1,234,991

\*\* As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund cash basis. This includes the unclaimed monies, uniform school supplies and public school support funds.



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**Note 4 - Deposits and Investments**

State statutes classify monies held by the School District into three categories:

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to 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 market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's investment pool (STAR Ohio);

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- 7) Certain bankers' acceptance and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days and two hundred seventy days, respectively; and,
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** At year-end, \$417,780 of the School District's bank balance of \$2,155,842 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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**Investments**

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

Rating	Investment	Measurement Amount	Investment Maturity in Months			% Total
			0-12	13-36	Over 36	
Net Asset Value:						
AAAm	STAR Ohio	\$ 8,970,345	\$ 8,970,345	\$ 0	\$ 0	56.96%
AAAm	Money Market Mutual Fund	5,586	5,586	0	0	0.04%
Cost:						
AA+	Federal Home Loan Mortgage Corp	214,893	0	214,893	0	1.36%
AAA	Federal Home Loan Bank	265,000	0	265,000	0	1.68%
N/A	Negotiable Certificates of Deposit	4,188,461	245,877	2,955,528	987,056	26.59%
A-1	Commercial Paper	707,935	707,935	0	0	4.49%
A-1+	Commercial Paper	1,398,808	1,398,808	0	0	8.88%
		<u>\$ 15,751,028</u>	<u>\$ 11,328,551</u>	<u>\$ 3,435,421</u>	<u>\$ 987,056</u>	<u>100.00%</u>

**Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

**Credit Risk** The School District has no investment policy dealing with credit risk beyond the requirements in State statutes. Ohio law requires government and agency mutual funds and STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2020, is 42 days.

**Concentration of Credit Risk** The School District places no limit on the amount that may be invested in any one issuer.

**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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.

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Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 446,145,650	94%	\$ 452,582,260	93%
Public Utility	29,497,910	6%	31,782,550	7%
<b>Total</b>	<b>\$ 475,643,560</b>	<b>100%</b>	<b>\$ 484,364,810</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	<u>\$ 36.70</u>		<u>\$ 35.70</u>	

**Note 6 - Interfund Transfers**

Transfers are made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization. During the fiscal year the general fund made a transfer to the food service fund in the amount of \$150,000.

**Note 7 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks were covered by commercial insurance purchased from independent third parties.

During the fiscal year, the School District contracted for insurance coverage for property, crime and inland marine insurance; for boilers; and for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents on a replacement cost basis with a \$5,000 deductible and the inland marine insurance provides coverage on a replacement cost basis with a \$1,000 deductible. The employee dishonesty insurance has coverage up to \$1,000,000 with a \$500 deductible.

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Employee Benefits liability is protected with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate and with a \$1,000 deductible. Vehicles are also covered and hold a \$250 and \$500 deductible for comprehensive and collision, respectively. Automobile liability has a \$1,000,000 combined single limit of liability. The School District also has an Umbrella policy with a limit of \$7,000,000.

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

***Workers' Compensation***

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. Comp Management provides administrative, cost control and actuarial services to the GRP.

***Employee Health Benefits***

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 12) to provide medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing School District subsequent to the settlement of all expenses and claims.

**Note 8 - Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a statewide, 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 before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for

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all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School District's contractually required contribution to SERS was \$307,814 for fiscal year 2020.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,154,497 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 independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06572320%	0.06642749%	
Prior Measurement Date	<u>0.06592310%</u>	<u>0.06475831%</u>	
Change in Proportionate Share	<u>-0.00019990%</u>	<u>0.00166918%</u>	
Proportionate Share of the Net Pension Liability	\$ 3,932,334	\$ 14,690,040	\$ 18,622,374



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***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 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. Future benefits for all current plan members were projected through 2035.

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:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent 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 investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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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	100.00 %	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 5,510,606	\$ 3,932,334	\$ 2,608,756

**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:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

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

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

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

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 21,467,858	\$ 14,690,040	\$ 8,952,271

**Note 9 - Defined Benefit OPEB Plans**

See Note 8 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$40,328 (most recent available).

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 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 used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.06720600%	0.06642700%
Prior Measurement Date	0.06671700%	0.06475800%
Change in Proportionate Share	0.00048900%	0.00166900%
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ 1,690,082	\$ (1,100,191)

***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

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

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

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

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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	100.00 %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,051,448	\$ 1,690,082	\$ 1,402,767
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,354,104	\$ 1,690,082	\$ 2,135,861

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

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Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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



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

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate 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 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (938,794)	\$ (1,100,191)	\$ (1,235,888)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,247,565)	\$ (1,100,191)	\$ (919,692)

**Note 10 - Long-Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding Balance 6/30/2019	Additions	Deductions	Refunding	Outstanding Balance 6/30/2020	Amount Due in One Year
<i>General Obligation Bonds:</i>						
<b>Energy Conservation Bonds</b>	\$ 685,000	\$ 0	\$ 90,000	\$ 0	\$ 595,000	\$ 90,000
<b>2011 Refunding Bonds</b>						
Current Interest Serial Bonds	6,510,000	0	0	6,510,000	0	0
Capital Appreciation Bonds	229,050	0	229,050	0	0	0
Accretion on CAB's	476,293	44,657	520,950	0	0	0
<b>2012 Refunding Bonds</b>						
Current Interest Serial Bonds	2,950,000	0	0	2,950,000	0	0
Current Interest Term Bonds	265,000	0	0	265,000	0	0
<b>2019 Refunding Bonds</b>						
Current Interest Serial Bonds	0	8,925,000	65,000	0	8,860,000	660,000
<i>Total Governmental Long-Term Obligations</i>	<u>\$11,115,343</u>	<u>\$ 8,969,657</u>	<u>\$ 905,000</u>	<u>\$ 9,725,000</u>	<u>\$ 9,455,000</u>	<u>\$ 750,000</u>

General obligation debt will be paid from the general fund and bond retirement fund.

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*Energy Conservation Bonds* – Energy conservation bonds in the amount of \$1,250,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on November 22, 2011 with interest rates ranging from 1.25 to 3.25 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 15 year period with the final payment due on December 1, 2026. The bonds will be retired from the general fund.

*2011 Refunding School Improvement General Obligation Bonds* – On December 16, 2011 the School District issued \$7,764,993 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$7,270,000 and \$494,993, respectively. The bonds advance refunded \$7,765,000 of outstanding 2003 School Improvement General Obligation Bonds. The bonds were issued for a sixteen year period with final maturity at December 1, 2027.

At the date of refunding, \$8,478,257 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$1,225,842 over the next fifteen years and resulted in an economic gain of \$983,091.

The bonds were issued with a premium of \$713,264. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$471,323.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with an interest rate of 1.00 – 3.125 percent. The capital appreciation bonds matured December 1, 2018 and December 1, 2019, and are not subject to early redemption. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of the bonds was \$1,500,000.

These bonds were refunded on September 17, 2019.

*2012 Refunding School Improvement General Obligation Bonds* – On January 12, 2012 the School District issued \$5,869,996 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$5,520,000, 265,000 and \$84,996, respectively. The capital appreciation bonds matured December 1, 2014. The bonds advance refunded \$5,870,000 of outstanding 2003 School Improvement General Obligation Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$6,369,770 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$628,841 over the next eighteen years and resulted in an economic gain of \$439,190.

The bonds were issued with a premium of \$499,774. The issuance costs of \$119,465 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$326,227.

The bond issue consists of serial and term bonds. The serial bonds were issued with an interest rate of 1.00 – 3.25 percent. The term bonds that mature in fiscal year 2028 with an interest rate of 3.00 percent are subject to mandatory sinking fund redemption.

These bonds were refunded on September 17, 2019.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

*2019 Refunding School Improvement General Obligation Bonds* – On September 17, 2019 the School District issued \$8,925,000 in voted general obligation bonds. The bonds refunded \$6,510,000 of outstanding 2011 School Improvement General Obligation Refunding Bonds and \$3,215,000 of outstanding 2012 School Improvement General Obligation Refunding Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$9,823,287 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The refunding reduced cash flows required for debt service by \$457,713 over the next eighteen years and resulted in an economic gain of \$413,925.

The bonds were issued with a premium of \$1,072,747 and issuance costs of \$172,453. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$98,287.

The bond issue consists of current interest serial bonds. The serial bonds were issued with an interest rate of 4.00 percent.

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial		Energy Conservation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 660,000	\$ 354,400	\$ 90,000	\$ 16,078	\$ 750,000	\$ 370,478
2022	680,000	328,000	90,000	13,692	770,000	341,692
2023	710,000	300,800	95,000	11,195	805,000	311,995
2024	735,000	272,400	15,000	94,913	750,000	367,313
2025	765,000	243,000	100,000	8,287	865,000	251,287
2026 - 2029	3,390,000	653,000	205,000	6,744	3,595,000	659,744
2030 - 2031	1,920,000	115,600	0	0	1,920,000	115,600
	<u>\$ 8,860,000</u>	<u>\$ 2,267,200</u>	<u>\$ 595,000</u>	<u>\$ 150,909</u>	<u>\$ 9,455,000</u>	<u>\$ 2,418,109</u>

**Note 11 - Jointly Governed Organizations**

**Connect** Connect is a jointly governed Information Technology Center (ITC) owned and operated by the Educational Service Centers of Medina, Cuyahoga and Lorain Counties along with the Ohio Schools Council. Per the Owner-Member Agreement, ninety-five percent of the ownership of the organization is allocated among the three educational service centers based upon the proportion of students in each of the three counties that are served by Connect. The purpose of the organization is to maintain and expand technology and support services to member organizations. Further information may be obtained by contacting the Director at 6393 Oak Tree Blvd., Suite 105, Independence, Ohio 44131.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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***Cuyahoga Valley Career Center*** The Cuyahoga Valley Career Center (a joint vocational School District) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating School District's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

***Ohio Schools' Council Association*** The Ohio Schools' Council (OSC) is a jointly governed organization among 200 School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The OSC's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any School District is limited to its representation on the Board. In fiscal year 2020, the School District paid \$4,860 to the OSC for various programs. Financial information can be obtained by contacting Kelly Rocco, Office Manager, Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the OSC's electric purchase program, which was implemented during fiscal year 1998 and the natural gas program that was implemented during fiscal year 2000. The electric purchase program allows School Districts to purchase electricity at reduced rates, if the School Districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas program allows School Districts to purchase natural gas at reduced rates, if the School Districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 12 – Public Entity Risk Pools**

***Risk Sharing Pool***

The Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating School Districts, based on the established premiums for the insurance plans. Each School District reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

***Insurance Purchasing Pool***

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

**Note 13 – Contingencies and Significant Commitments**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

***Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***School District Funding***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

***Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$225,850 in the general fund and \$84,435 in other governmental funds.

**Note 14 - Fund Balance**

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for major funds and all other governmental funds are presented as follows:

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:				
Unclaimed Monies	\$ 3,140	\$ 0	\$ 0	\$ 3,140
Restricted for:				
Debt Service	0	3,892,044	0	3,892,044
Capital Outlay	0	0	347,327	347,327
Student Activities	0	0	40,403	40,403
Auxiliary Services	0	0	66,267	66,267
Other Purposes	0	0	55,204	55,204
Total Restricted	<u>0</u>	<u>3,892,044</u>	<u>509,201</u>	<u>4,401,245</u>
Committed for:				
Student Activities	<u>0</u>	<u>0</u>	<u>187,197</u>	<u>187,197</u>
Assigned for:				
Encumbrances:				
Instruction	45,134	0	0	45,134
Support Services	172,286	0	0	172,286
Other Purposes	27,400	0	0	27,400
Subsequent Year Appropriations	982,706	0	0	982,706
Total Assigned	<u>1,227,526</u>	<u>0</u>	<u>0</u>	<u>1,227,526</u>
Unassigned	<u>11,997,631</u>	<u>0</u>	<u>0</u>	<u>11,997,631</u>
<b>Total Fund Balance</b>	<u><u>\$ 13,228,297</u></u>	<u><u>\$ 3,892,044</u></u>	<u><u>\$ 696,398</u></u>	<u><u>\$ 17,816,739</u></u>

**Independence Local School District**  
**Cuyahoga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 15 - Set-Asides**

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

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

	<b>Capital Improvement Reserve</b>
Set Aside Restricted Balance June 30, 2019	\$ 0
Current Year Set Aside Requirement	186,142
Current Year Qualifying Disbursements	(349,143)
Total	\$ (163,001)
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set Aside Restricted Balance June 30, 2020	\$ 0

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

**Note 16 - Compliance**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2020, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**Note 17 – Subsequent Event**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the School District. Due to the dynamic environment and change in fiscal policies, the exact impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Independence Local School District  
Cuyahoga County  
7733 Stone Road  
Independence, Ohio 44131

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 21, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial 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 2021-001.

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

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 21, 2022

**INDEPENDENCE LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2021 AND 2020**

**FINDING NUMBER 2021-001**

**117.38 – GAAP Mandated Files OCBOA – Noncompliance Finding**

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

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

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

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and 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 in accordance with generally accepted accounting principles.

**Officials' Response:** The Independence Local School District, Board of Education, examined the cost-benefits of GAAP reporting and believes that the cash-basis financial statement is the most cost-effective way to produce and provide the readers with an easy to understand report. Cash-basis financial statements are similar to other management reports produced throughout the fiscal year, such as the five year forecast, and can be compared without major adjustments.

# INDEPENDENCE LOCAL SCHOOLS

*Administrative Offices • 7733 Stone Road  
Independence, Ohio 44131 • Fax# 216-642-3482*

Ben Hegedish  
Superintendent  
216-642-5850

Tom Dreiling  
Asst. Supt.  
216-642-5851

Eric Koehler  
Treasurer  
216-642-5854

Mike Pennington  
Curriculum & Tech.  
216-642-5852

Francine Kane  
Service Manager  
216-642-5853

Sandra McCullough  
Pupil Services  
216-642-5877

## INDEPENDENCE LOCAL SCHOOL DISTRICT CUYAHOGA COUNTY

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	<p><b>Ohio Rev. Code § 117.38</b> provides that each public office shall file a financial report for each fiscal year.</p> <p><b>Ohio Admin. Code § 117-2-03(B)</b> requires all schools to file annual financial reports in accordance with generally accepted accounting principles. However, the District prepared its' financial statements on a cash basis, which is a comprehensive basis of accounting other than US GAAP.</p>	Not Corrected.	The Independence Local School District, Board of Education, examined the cost-benefits of GAAP reporting and believes that the cash-basis financial statement is the most cost-effective way to produce and provide the readers with an easy to understand report. Cash-basis financial statements are similar to other management reports produced throughout the fiscal year, such as the five year forecast, and can be compared without major adjustments.

# OHIO AUDITOR OF STATE KEITH FABER



**INDEPENDENCE LOCAL SCHOOL DISTRICT**

**CUYAHOGA 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 5/24/2022**

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

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