

**FIRELANDS LOCAL SCHOOL DISTRICT**  
**LORAIN COUNTY, OHIO**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**





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Board of Education  
Firelands Local School District  
112 N. Lake St.  
South Amherst, OH 44001

We have reviewed the *Independent Auditor's Report* of the Firelands Local School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 25, 2021

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**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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## Independent Auditor's Report

Firelands Local School District  
Lorain County  
112 North Lake Street  
South Amherst, Ohio 44001

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Firelands Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Firelands Local School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Firelands Local School District, Lorain County, Ohio, as of June 30, 2020, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As described in Note 3 to the financial statements, in 2020, the Firelands Local School District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Firelands Local School District. Our opinions are not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions* listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Firelands Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of the Firelands Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Firelands Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Firelands Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
January 28, 2021



**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities increased \$7,411,579, which represents a 232.02% increase from June 30, 2019's restated net position.
- General revenues accounted for \$24,296,562 in revenue or 81.68% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$5,448,164 in revenue or 18.32% of total revenues of \$29,744,726.
- The District had \$22,333,147 in expenses related to governmental activities; only \$5,448,164 of these expenses were offset by program specific charges for services and sales, operating grants and contributions and capital grants and contributions. General revenues supporting governmental activities (primarily property taxes and unrestricted grants and entitlements) of \$24,296,562 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$20,507,383 in revenues and \$18,403,615 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance increased \$2,103,768 from a restated balance of \$10,693,248 to \$12,797,016.
- The bond retirement fund had \$11,639,131 in revenues and other financing sources and \$11,446,819 in expenditures. The District issued \$23,850,000 in school facilities construction and improvement general obligation bonds, of which \$9,310,000 was deposited into the bond retirement fund.
- The classroom facilities fund had \$14,870,728 in revenues and other financing sources and \$216,137 in expenditures. The District issued \$23,850,000 in school facilities construction and improvement general obligation bonds, of which \$14,540,000 was deposited into the classroom facilities fund.

**Using these Basic Financial Statements**

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and the classroom facilities fund are by far the most significant funds, and the only governmental funds reported as a major funds.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2020?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund, bond retirement fund and the classroom facilities fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The District acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in custodial funds. The District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on page 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-67 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 68- 83 of this report.

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**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

	<b>Net Position</b>	
	Governmental Activities <u>2020</u>	(Restated) Governmental Activities <u>2019</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 58,020,115	\$ 33,634,759
Net OPEB asset	1,123,355	1,111,440
Capital assets, net	<u>5,329,248</u>	<u>5,094,462</u>
Total assets	<u>64,472,718</u>	<u>39,840,661</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	3,487,817	4,918,445
OPEB	<u>358,368</u>	<u>230,222</u>
Total deferred outflows of resources	<u>3,846,185</u>	<u>5,148,667</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,407,614	2,254,636
Long-term liabilities:		
Due within one year	589,950	10,214,052
Due in more than one year:		
Net pension liability	19,614,634	19,753,134
Net OPEB liability	1,993,024	2,233,027
Other amounts	<u>25,725,668</u>	<u>1,620,393</u>
Total liabilities	<u>50,330,890</u>	<u>36,075,242</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes and payment in lieu of taxes levied for next year	10,369,681	8,523,678
Pension	1,411,748	1,616,694
OPEB	<u>1,989,394</u>	<u>1,968,103</u>
Total deferred inflows of resources	<u>13,770,823</u>	<u>12,108,475</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	2,840,510	4,300,466
Restricted	8,431,518	1,041,223
Unrestricted (deficit)	<u>(7,054,838)</u>	<u>(8,536,078)</u>
Total net position (deficit)	<u>\$ 4,217,190</u>	<u>\$ (3,194,389)</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

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

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

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

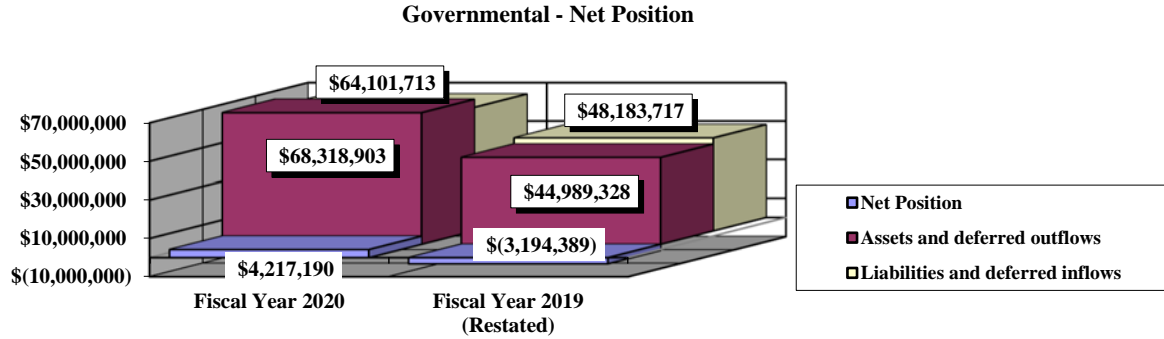
At year end, capital assets represented 8.27% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2020 was \$2,840,510. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A portion of the District's net position, \$8,431,518, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$7,054,838.

The graph below illustrates the District's governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and net position at June 30, 2020 and 2019 (restated).



The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

**Change in Net Position**

	Governmental Activities	
	2020	(Restated) 2019
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 3,421,646	\$ 3,380,726
Operating grants and contributions	1,676,675	1,454,086
Capital grants and contributions	349,843	122,490
General revenues:		
Property taxes	10,870,419	9,836,728
Payments in lieu of taxes	12,583	-
Grants and entitlements	12,846,790	7,908,635
Investment earnings	172,482	67,273
Increase in fair value of investments	156,220	48,710
Miscellaneous	238,068	44,119
<b>Total revenues</b>	<b>29,744,726</b>	<b>22,862,767</b>

- Continued

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**Change in Net Position (Continued)**

	Governmental Activities	
	2020	(Restated) 2019
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,196,962	\$ 6,533,496
Special	2,732,723	2,471,586
Vocational	286,745	226,754
Other	1,283,502	1,383,402
Support services:		
Pupil	1,210,058	1,141,708
Instructional staff	403,176	375,260
Board of education	24,693	23,656
Administration	1,765,754	1,490,344
Fiscal	561,048	480,906
Operations and maintenance	1,498,189	1,499,232
Pupil transportation	1,280,889	1,050,427
Central	451,651	453,411
Operation of non-instructional services:		
Other non-instructional services	145,769	39,211
Food service operations	630,079	601,287
Extracurricular activities	764,666	764,079
Interest and fiscal charges	1,097,243	159,005
Total expenses	22,333,147	18,693,764
Change in net position	7,411,579	4,169,003
Net position at beginning of year (restated)	(3,194,389)	(7,363,392)
Net position at end of year	\$ 4,217,190	\$ (3,194,389)

**Governmental Activities**

Net position of the District's governmental activities increased \$7,411,579. Total governmental expenses of \$22,333,147 were offset by program revenues of \$5,448,164 and general revenues of \$24,296,562. Program revenues supported 24.39% of the total governmental expenses.

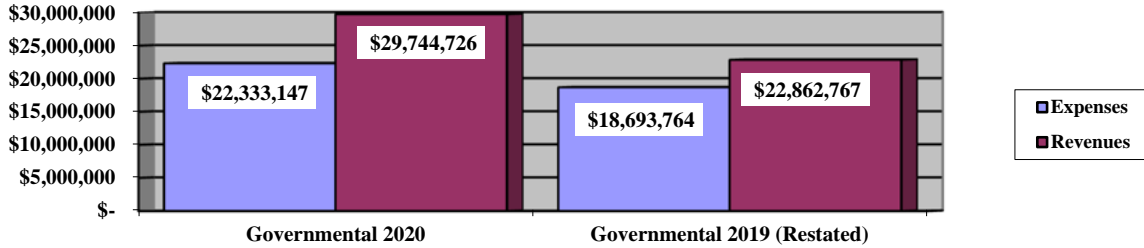
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.74% of total governmental revenue. Real estate property is reappraised every six years.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019 (restated).

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2020 and 2019 (restated). That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

**Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	(Restated) Total Cost of Services 2019	(Restated) Net Cost of Services 2019
Program expenses:				
Instruction:				
Regular	\$ 8,196,962	\$ 5,301,791	\$ 6,533,496	\$ 3,877,982
Special	2,732,723	1,672,985	2,471,586	1,525,137
Vocational	286,745	260,822	226,754	200,831
Other	1,283,502	1,283,502	1,383,402	1,383,402
Support services:				
Pupil	1,210,058	1,011,962	1,141,708	1,063,856
Instructional staff	403,176	395,965	375,260	365,962
Board of education	24,693	24,693	23,656	23,656
Administration	1,765,754	1,765,754	1,490,344	1,490,344
Fiscal	561,048	561,048	480,906	481,331
Operations and maintenance	1,498,189	1,127,190	1,499,232	1,351,903
Pupil transportation	1,280,889	1,249,954	1,050,427	999,717
Central	451,651	421,075	453,411	434,709
Operation of non-instructional services:				
Other non-instructional services	145,769	108,932	39,211	3,276
Food service operations	630,079	63,719	601,287	(31,682)
Extracurricular activities	764,666	538,348	764,079	407,033
Interest and fiscal charges	1,097,243	1,097,243	159,005	159,005
<b>Total expenses</b>	<b>\$ 22,333,147</b>	<b>\$ 16,884,983</b>	<b>\$ 18,693,764</b>	<b>\$ 13,736,462</b>

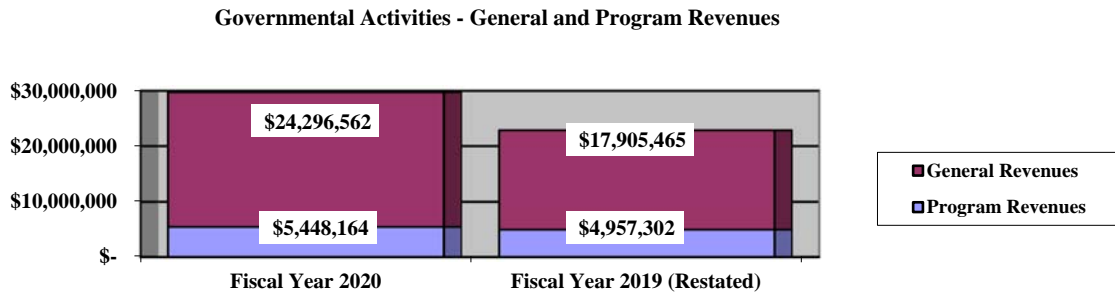


**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The dependence upon taxes and other general revenues for governmental activities is apparent, as 68.15% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.61%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2020 and 2019 (restated).



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$39,841,228, which is greater than last year's restated total balance of \$22,754,018.

The table below indicates the fund balance and the total change in fund balance as of June 30, 2020 and June 30, 2019.

	Fund Balance <u>June 30, 2020</u>	(Restated) Fund Balance <u>June 30, 2019</u>	<u>Change</u>
General fund	\$ 12,797,016	\$ 10,693,248	\$ 2,103,768
Bond retirement fund	1,139,865	947,553	192,312
Classroom facilities fund	22,800,320	8,145,729	14,654,591
Nonmajor governmental funds	<u>3,104,027</u>	<u>2,967,488</u>	<u>136,539</u>
Total	<u>\$ 39,841,228</u>	<u>\$ 22,754,018</u>	<u>\$ 17,087,210</u>

**General Fund**

The District's general fund balance increased \$2,103,768. The tables that follow assists in illustrating the revenues and expenditures of the general fund during fiscal years 2020 and 2019 (restated).

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	2020	(Restated) 2019		Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 9,072,700	\$ 8,424,040	\$ 648,660	7.70 %
Tuition	2,828,126	2,550,056	278,070	10.90 %
Interest earnings	146,753	68,889	77,864	113.03 %
Increase (decrease) in fair value of investments	156,220	48,710	107,510	220.71 %
Extracurricular	99,683	170,749	(71,066)	(41.62) %
Classroom materials and fees	85,770	88,270	(2,500)	(2.83) %
Intergovernmental	7,957,006	8,414,907	(457,901)	(5.44) %
Other revenues	<u>161,125</u>	<u>59,532</u>	<u>101,593</u>	<u>170.65 %</u>
Total	<u>\$ 20,507,383</u>	<u>\$ 19,825,153</u>	<u>\$ 682,230</u>	<u>3.44 %</u>
	<u>2020</u>	<u>2019</u>		Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 11,149,982	\$ 11,388,721	\$ (238,739)	(2.10) %
Support services	6,573,601	6,798,625	(225,024)	(3.31) %
Extracurricular activities	546,632	557,596	(10,964)	(1.97) %
Debt service	<u>93,400</u>	<u>97,040</u>	<u>(3,640)</u>	<u>(3.75) %</u>
Total	<u>\$ 18,363,615</u>	<u>\$ 18,841,982</u>	<u>\$ (478,367)</u>	<u>(2.54) %</u>

Overall revenues and expenditures of the general fund increased \$682,230 or 3.44% and decreased \$478,367 or 2.54%, respectively. Interest earnings and fair value of investments increased due to additional investments entered into by the District in fiscal year 2020. Tuition revenues increased due to increase enrollment at the District. Overall, revenues and expenditures were consistent with prior year.

***Bond Retirement Fund***

The bond retirement fund had \$11,639,131 in revenues and other financing sources and \$11,446,819 in expenditures. During fiscal year 2020, the bond retirement fund's fund balance increased \$192,312 from a balance of \$947,553 to \$1,139,865. The District issued \$23,850,000 in school facilities construction and improvement general obligation bonds, of which \$9,310,000 was deposited into the bond retirement fund.

***Classroom Facilities Fund***

The classroom facilities fund had \$14,870,728 in revenues and other financing sources and \$216,137 in expenditures. During fiscal year 2020, the classroom facilities fund's fund balance increased \$14,654,591 from a balance of \$8,145,729 to \$22,800,320. The District issued \$23,850,000 in school facilities construction and improvement general obligation bonds, of which \$14,540,000 was deposited into the classroom facilities fund.

***General Fund Budgeting Highlights***

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

For the general fund, final budgeted revenues of \$19,534,657 remained the same as the original budgeted revenues. Actual revenues and other financing sources were \$20,298,469 which was \$763,812 more than the final budgeted amounts.

General fund final and original appropriations (appropriated expenditures plus other financing uses) were \$19,581,159. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$18,677,903, which was \$903,256 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2020, the District had \$5,329,248 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows June 30, 2020 balances compared to those at June 30, 2019.

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 851,565	\$ 851,565
Construction in progress	247,033	114,389
Land improvements	762,562	833,984
Buildings and improvements	2,040,045	1,794,818
Furniture and equipment	539,426	614,008
Vehicles	888,617	885,698
Total	\$ 5,329,248	\$ 5,094,462

The overall the increase in capital assets of \$234,786 is due to additions of \$727,354 exceeding depreciation expense of \$492,568.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2020, the District had \$380,000 in energy conservation improvement bonds outstanding, \$23,465,000 in general obligation bonds, and \$220,311 in capital lease obligations. Of this total, \$474,884 is due within one year and \$23,590,427 is due in more than one year.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following table summarizes the long-term obligations outstanding at June 30, 2020 and June 30, 2019.

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 23,465,000	\$ -
Bond anticipation notes	-	9,940,000
Energy conservation improvement bonds	380,000	450,000
Capital lease obligations	<u>220,311</u>	<u>286,868</u>
Total	<u>\$ 24,065,311</u>	<u>\$ 10,676,868</u>

At June 30, 2020, the District's overall legal debt margin was \$12,592,583, with an unvoted debt margin of \$387,964.

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

**Current Financial Related Activities**

The District continues to face a challenging future as do most districts in the State of Ohio. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue stability is in question, the reliance upon local property taxes is increasingly important. In May 2010, the community approved the renewal of a 10-year emergency levy which raises \$820,000 annually. This was followed by the passage of a new 5-year \$1,500,000 emergency levy in May 2011, which was renewed early in May 2015. The District saw an increase of 7.98% in valuation during calendar year 2018. Changes impacted second half fiscal year 2020 property tax collections.

A building project has been a high priority of the District over the last decade. After several failed attempts in 2007, 2015 and 2016, the Board placed a request for a 4.28 mill levy on the November 2019 ballot (including the required 0.5 mill PI maintenance levy). In previous years, the District had planned to build a new joined Middle School and High School with a State funding share of 19%. After failing in 2016, the Board took a step back and engaged with the community in an attempt to figure out what would be supported. The levy in November 2019 was to build a new High School with some shared spaces for the Middle School (cafeteria, kitchen, gym, administrative offices) and to move the middle school into the current high school with a 19% share still coming from the State. That levy was successful, and the District is currently in the development and design phase of the project.

District enrollment increased by 5 students in fiscal year 2020. Open enrollment has continued to stabilize the District's enrollment and finances. Open enrollment has moved from a net positive 156 students to a net positive 246 student since fiscal year 2015. Since implementing full open enrollment, the District has continued to experience an increase in net dollars gained from open enrollment. During fiscal year 2020, the District brought in more than double the students open enrolling into the District than open enrolling out. As a result, the District had a net gain of \$1,456,022. Open enrollment is expected to remain steady in fiscal year 2021.

Since the District relies on the State for approximately 50% of the general operating revenues, one of the largest challenges facing the District is that of State funding. The State of Ohio was found by the Supreme Court in March of 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with low property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The State's funding formula in place since fiscal year 2014 resulted in funding reductions due to reduced in-district student headcount and increases in "carve-out" payments to additional new voucher programs and increased funding to community schools. Further, the State funding formula puts the district at risk ultimately losing more than \$2,400,000 per year, as the State has deemed those funds as "transitional." Additionally, funding is periodically adjusted for headcount changes as measured during the fiscal year. Under the current formula the funding adjustments became a series of monthly ongoing adjustments adding complexity to the District's financial planning. Fiscal Year 20 amounts were initially frozen at the FY 19 amount, but due to Covid-19 state funding was reduced by \$345,411. FY 21 amounts are currently set to be the same as FY 20 amounts.

Another challenge facing the District is the costs of community school students leaving the District. The District lost approximately \$171,000 in fiscal year 2020 that was diverted to community schools.

In fiscal year 2020 general fund salary expenditures remained fairly flat with only a .31% increase from fiscal year 2019. Fiscal year 2020 was the final year of a 3 year contract with both the FEA teacher's union and classified OAPSE union. The contract included a 0% increase in the base pay, but did allow for step increases in fiscal year 2020. In addition, a full-time psych position was contracted out. As a result, there was a lower increase in salary expenditures than in previous years. The District continues to strive to reduce costs and to align staffing with current headcounts, and as such has made significant changes in staffing. Such changes have included reduction-in-force for classified staff, attrition of certified positions and the rehiring of retired teachers. As a result, the District has saved thousands of dollars over the past several years and is at a staffing level appropriate for the District's enrollment. Staffing will continue to be reviewed for alignment with student headcount. Benefit expenditures decreased by \$52,095, largely due to an insurance premium holiday that occurred in FY 20 as well as an increase in the employee share of the medical premiums. Employee paid premiums increased to 13.5% for FY 20, an increase of .5%.

The District's system of budgeting and internal controls is well regarded, winning the Ohio Auditor of State Award for several years, including the previous three fiscal years. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Keri Angney, Treasurer, Firelands Local School District, 112 North Lake St. South Amherst, OH 44001-2824.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 40,232,472
Receivables:	
Property taxes . . . . .	12,236,727
Payment in lieu of taxes . . . . .	12,583
Accounts . . . . .	52,862
Accrued interest . . . . .	71,205
Intergovernmental . . . . .	5,378,680
Prepayments . . . . .	23,733
Materials and supplies inventory. . . . .	3,426
Inventory held for resale. . . . .	8,427
Net OPEB asset . . . . .	1,123,355
Capital assets:	
Nondepreciable capital assets . . . . .	1,098,598
Depreciable capital assets, net. . . . .	4,230,650
Capital assets, net . . . . .	5,329,248
Total assets. . . . .	64,472,718
 <b>Deferred outflows of resources:</b>	
Pension . . . . .	3,487,817
OPEB . . . . .	358,368
Total deferred outflows of resources . . . . .	3,846,185
 <b>Liabilities:</b>	
Accounts payable. . . . .	33,091
Contracts payable. . . . .	213,862
Accrued wages and benefits payable . . . . .	1,584,641
Intergovernmental payable . . . . .	153,448
Pension and postemployment benefits payable. . . . .	282,321
Accrued interest payable . . . . .	140,251
Long-term liabilities:	
Due within one year. . . . .	589,950
Due in more than one year:	
Net pension liability . . . . .	19,614,634
Net OPEB liability . . . . .	1,993,024
Other amounts due in more than one year . . . . .	25,725,668
Total liabilities . . . . .	50,330,890
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	10,357,098
Payment in lieu of taxes levied for the next fiscal year	12,583
Pension . . . . .	1,411,748
OPEB . . . . .	1,989,394
Total deferred inflows of resources . . . . .	13,770,823
 <b>Net position:</b>	
Net investment in capital assets . . . . .	2,840,510
Restricted for:	
Debt service. . . . .	1,013,053
Capital projects . . . . .	6,996,685
Classroom facilities maintenance . . . . .	95,457
Unclaimed monies . . . . .	803
Food service operations . . . . .	69,753
Extracurricular . . . . .	68,188
State funded programs. . . . .	145,539
Federally funded programs . . . . .	42,040
Unrestricted (deficit) . . . . .	(7,054,838)
Total net position . . . . .	\$ 4,217,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,196,962	\$ 2,852,638	\$ 42,533	\$ -	\$ (5,301,791)
Special . . . . .	2,732,723	61,638	998,100	-	(1,672,985)
Vocational . . . . .	286,745	-	25,923	-	(260,822)
Other . . . . .	1,283,502	-	-	-	(1,283,502)
Support services:					
Pupil . . . . .	1,210,058	15,568	182,528	-	(1,011,962)
Instructional staff . . . . .	403,176	-	7,211	-	(395,965)
Board of education . . . . .	24,693	-	-	-	(24,693)
Administration . . . . .	1,765,754	-	-	-	(1,765,754)
Fiscal . . . . .	561,048	-	-	-	(561,048)
Operations and maintenance . . . . .	1,498,189	8,675	12,481	349,843	(1,127,190)
Pupil transportation . . . . .	1,280,889	6,092	24,843	-	(1,249,954)
Central . . . . .	451,651	25,176	5,400	-	(421,075)
Operation of non-instructional services:					
Other non-instructional services . . . . .	145,769	-	36,837	-	(108,932)
Food service operations . . . . .	630,079	229,154	337,206	-	(63,719)
Extracurricular activities . . . . .	764,666	222,705	3,613	-	(538,348)
Interest and fiscal charges . . . . .	1,097,243	-	-	-	(1,097,243)
<b>Total governmental activities . . . . .</b>	<b>\$ 22,333,147</b>	<b>\$ 3,421,646</b>	<b>\$ 1,676,675</b>	<b>\$ 349,843</b>	<b>(16,884,983)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					9,037,725
Debt service . . . . .					1,216,363
Capital outlay . . . . .					520,874
Classroom facilities maintenance . . . . .					95,457
Payments in lieu of taxes . . . . .					12,583
Grants and entitlements not restricted					
to specific programs . . . . .					7,549,025
Grants and entitlements restricted					
for Ohio Facilities Construction Commission Grant					5,297,765
Investment earnings . . . . .					172,482
Change in fair value of investments					156,220
Miscellaneous . . . . .					238,068
<b>Total general revenues . . . . .</b>					<b>24,296,562</b>
Change in net position . . . . .					7,411,579
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>					<b>(3,194,389)</b>
<b>Net position at end of year . . . . .</b>					<b>\$ 4,217,190</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments. . . . .	\$ 13,232,008	\$ 949,788	\$ 22,998,799	\$ 3,051,877	\$ 40,232,472
Receivables:					
Property taxes. . . . .	10,333,905	1,234,560	-	668,262	12,236,727
Payment in lieu of taxes . . . . .	12,583	-	-	-	12,583
Accounts . . . . .	52,797	-	-	65	52,862
Accrued interest . . . . .	29,983	-	41,222	-	71,205
Intergovernmental. . . . .	12,238	-	5,267,373	99,069	5,378,680
Prepayments. . . . .	18,744	-	-	4,989	23,733
Materials and supplies inventory. . . . .	-	-	-	3,426	3,426
Inventory held for resale. . . . .	-	-	-	8,427	8,427
Due from other funds . . . . .	30,352	-	-	-	30,352
Total assets . . . . .	<u>\$ 23,722,610</u>	<u>\$ 2,184,348</u>	<u>\$ 28,307,394</u>	<u>\$ 3,836,115</u>	<u>\$ 58,050,467</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 32,383	\$ -	\$ -	\$ 708	\$ 33,091
Contracts payable. . . . .	-	-	213,862	-	213,862
Accrued wages and benefits payable . . . . .	1,514,083	-	-	70,558	1,584,641
Compensated absences payable . . . . .	30,681	-	-	-	30,681
Intergovernmental payable . . . . .	152,514	-	-	934	153,448
Pension and postemployment benefits payable. . . . .	263,359	-	-	18,962	282,321
Due to other funds . . . . .	-	-	-	30,352	30,352
Total liabilities. . . . .	<u>1,993,020</u>	<u>-</u>	<u>213,862</u>	<u>121,514</u>	<u>2,328,396</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . . . .	8,770,746	1,031,044	-	555,308	10,357,098
Payment in lieu of taxes levied for the next fiscal year. . . . .	12,583	-	-	-	12,583
Delinquent property tax revenue not available . . . . .	109,505	13,439	-	7,777	130,721
Intergovernmental revenue not available. . . . .	12,238	-	5,267,373	47,489	5,327,100
Accrued interest not available. . . . .	27,502	-	25,839	-	53,341
Total deferred inflows of resources . . . . .	<u>8,932,574</u>	<u>1,044,483</u>	<u>5,293,212</u>	<u>610,574</u>	<u>15,880,843</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	-	-	-	3,426	3,426
Prepays. . . . .	18,744	-	-	4,989	23,733
Unclaimed monies . . . . .	803	-	-	-	803
Restricted:					
Debt service . . . . .	-	1,139,865	-	-	1,139,865
Capital improvements . . . . .	-	-	22,800,320	1,527,333	24,327,653
Classroom facilities maintenance . . . . .	-	-	-	95,457	95,457
Food service operations . . . . .	-	-	-	99,641	99,641
Extracurricular. . . . .	-	-	-	68,188	68,188
Student wellness and success . . . . .	-	-	-	145,539	145,539
Committed:					
Capital improvements . . . . .	-	-	-	1,156,566	1,156,566
Termination benefits. . . . .	20,424	-	-	-	20,424
Other purposes. . . . .	-	-	-	7,426	7,426
Latchkey program . . . . .	-	-	-	4,875	4,875
Assigned:					
Student instruction . . . . .	12,335	-	-	-	12,335
Student and staff support. . . . .	296,005	-	-	-	296,005
Unassigned (deficit) . . . . .	12,448,705	-	-	(9,413)	12,439,292
Total fund balances . . . . .	<u>12,797,016</u>	<u>1,139,865</u>	<u>22,800,320</u>	<u>3,104,027</u>	<u>39,841,228</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 23,722,610</u>	<u>\$ 2,184,348</u>	<u>\$ 28,307,394</u>	<u>\$ 3,836,115</u>	<u>\$ 58,050,467</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2020

<b>Total governmental fund balances</b>		\$	39,841,228
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,329,248
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	130,721	
Accrued interest receivable		53,341	
Intergovernmental receivable		5,327,100	
Total		<u>5,511,162</u>	5,511,162
On the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(140,251)
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(1,047,607)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation improvement bonds		(380,000)	
Capital lease obligations		(220,311)	
General obligation bonds		(23,465,000)	
Compensated absences		(1,172,019)	
Total		<u>(25,237,330)</u>	(25,237,330)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		3,487,817	
Deferred inflows - pension		(1,411,748)	
Net pension liability		(19,614,634)	
Total		<u>(17,538,565)</u>	(17,538,565)
The net OPEB liability/asset is not due and payable in the current period; therefore, liability/asset and related deferred inflows are not reported in governmental funds.			
Deferred outflows - OPEB		358,368	
Deferred inflows - OPEB		(1,989,394)	
Net OPEB asset		1,123,355	
Net OPEB liability		(1,993,024)	
Total		<u>(2,500,695)</u>	(2,500,695)
<b>Net position of governmental activities</b>		<u>\$</u>	<u>4,217,190</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 9,060,117	\$ 1,221,367	\$ -	\$ 617,673	\$ 10,899,157
Payment in lieu of taxes . . . . .	12,583	-	-	-	12,583
Tuition . . . . .	2,828,126	-	-	-	2,828,126
Transportation fees . . . . .	6,092	-	-	-	6,092
Earnings on investments . . . . .	146,753	-	231,900	23,668	402,321
Charges for services . . . . .	-	-	-	229,154	229,154
Extracurricular . . . . .	99,683	-	-	160,905	260,588
Classroom materials and fees . . . . .	85,770	-	-	-	85,770
Rental income . . . . .	8,675	-	-	-	8,675
Contributions and donations . . . . .	10,856	-	-	4,130	14,986
Contract services . . . . .	3,241	-	-	-	3,241
Other local revenues . . . . .	132,261	-	211	131,788	264,260
Intergovernmental - state . . . . .	7,928,548	30,256	30,392	253,034	8,242,230
Intergovernmental - federal . . . . .	28,458	-	-	885,959	914,417
Increase in fair value of investments . . . . .	156,220	-	68,225	-	224,445
<b>Total revenues . . . . .</b>	<b>20,507,383</b>	<b>1,251,623</b>	<b>330,728</b>	<b>2,306,311</b>	<b>24,396,045</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	7,480,354	-	-	198,915	7,679,269
Special . . . . .	2,129,685	-	-	495,398	2,625,083
Vocational . . . . .	264,569	-	-	-	264,569
Other . . . . .	1,275,374	-	-	-	1,275,374
Support services:					
Pupil . . . . .	1,129,974	-	-	35,619	1,165,593
Instructional staff . . . . .	376,272	-	-	11,544	387,816
Board of education . . . . .	24,016	-	-	-	24,016
Administration . . . . .	1,681,259	-	-	-	1,681,259
Fiscal . . . . .	510,833	20,331	2,275	10,764	544,203
Operations and maintenance . . . . .	1,221,113	-	-	9,074	1,230,187
Pupil transportation . . . . .	1,269,092	-	-	-	1,269,092
Central . . . . .	361,042	-	-	12,829	373,871
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	-	-	-	42,127	42,127
Food service operations . . . . .	-	-	-	605,811	605,811
Extracurricular activities . . . . .	546,632	-	-	188,680	735,312
Facilities acquisition and construction . . . . .	-	-	213,862	518,111	731,973
Debt service:					
Principal retirement . . . . .	70,000	10,325,000	-	66,557	10,461,557
Interest and fiscal charges . . . . .	23,400	747,740	-	14,343	785,483
Bond issuance costs . . . . .	-	353,748	-	-	353,748
<b>Total expenditures . . . . .</b>	<b>18,363,615</b>	<b>11,446,819</b>	<b>216,137</b>	<b>2,209,772</b>	<b>32,236,343</b>
Excess of revenues over expenditures . . . . .	2,143,768	(10,195,196)	114,591	96,539	(7,840,298)
<b>Other financing sources (uses):</b>					
Premium on bonds sold . . . . .	-	1,077,508	-	-	1,077,508
Sale of bonds . . . . .	-	9,310,000	14,540,000	-	23,850,000
Transfers in . . . . .	-	-	-	40,000	40,000
Transfers (out) . . . . .	(40,000)	-	-	-	(40,000)
<b>Total other financing sources (uses) . . . . .</b>	<b>(40,000)</b>	<b>10,387,508</b>	<b>14,540,000</b>	<b>40,000</b>	<b>24,927,508</b>
Net change in fund balances . . . . .	2,103,768	192,312	14,654,591	136,539	17,087,210
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>10,693,248</b>	<b>947,553</b>	<b>8,145,729</b>	<b>2,967,488</b>	<b>22,754,018</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 12,797,016</b>	<b>\$ 1,139,865</b>	<b>\$ 22,800,320</b>	<b>\$ 3,104,027</b>	<b>\$ 39,841,228</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Net change in fund balances - total governmental funds</b>	\$	17,087,210
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 727,354	
Current year depreciation	(492,568)	
Total		234,786
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(28,738)	
Earnings on investments	51,568	
Intergovernmental	5,289,144	
Total		5,311,974
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		10,461,557
Proceeds from bond issuance are reported as an other financing source in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net position.		
		(23,850,000)
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(1,077,508)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,483,649
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,570,831)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		52,013
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.		
		306,760
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	12,087	
Amortization of bond premiums	29,901	
Total		41,988
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(70,019)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>7,411,579</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 8,553,129	\$ 8,553,129	\$ 9,080,925	\$ 527,796
Payment in lieu of taxes. . . . .	12,000	12,000	12,583	583
Tuition. . . . .	2,406,978	2,406,978	2,828,126	421,148
Transportation fees. . . . .	10,000	10,000	6,092	(3,908)
Earnings on investments . . . . .	120,000	120,000	144,646	24,646
Extracurricular. . . . .	78,000	78,000	61,030	(16,970)
Classroom materials and fees . . . . .	57,200	57,200	51,427	(5,773)
Rental income . . . . .	12,000	12,000	8,675	(3,325)
Contributions and donations . . . . .	5,000	5,000	2,863	(2,137)
Other local revenues . . . . .	20,350	20,350	132,183	111,833
Intergovernmental - state . . . . .	8,200,000	8,200,000	7,916,910	(283,090)
Intergovernmental - federal . . . . .	60,000	60,000	45,480	(14,520)
Total revenues . . . . .	<u>19,534,657</u>	<u>19,534,657</u>	<u>20,290,940</u>	<u>756,283</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,747,121	7,747,121	7,459,196	287,925
Special. . . . .	2,305,259	2,305,259	2,171,591	133,668
Vocational. . . . .	274,555	274,555	263,802	10,753
Other. . . . .	1,455,797	1,455,797	1,276,817	178,980
Support services:				
Pupil. . . . .	1,180,109	1,180,109	1,113,537	66,572
Instructional staff . . . . .	483,027	483,027	424,623	58,404
Board of education . . . . .	31,200	31,200	24,233	6,967
Administration. . . . .	1,772,296	1,772,296	1,823,635	(51,339)
Fiscal . . . . .	541,246	541,246	516,176	25,070
Operations and maintenance. . . . .	1,379,715	1,379,715	1,259,338	120,377
Pupil transportation . . . . .	1,303,813	1,303,813	1,308,578	(4,765)
Central. . . . .	441,829	441,829	340,682	101,147
Extracurricular activities. . . . .	532,692	531,692	553,775	(22,083)
Debt service:				
Principal retirement . . . . .	70,000	70,000	70,000	-
Interest and fiscal charges. . . . .	4,500	4,500	12,920	(8,420)
Total expenditures . . . . .	<u>19,523,159</u>	<u>19,522,159</u>	<u>18,618,903</u>	<u>903,256</u>
Excess of revenues over expenditures . . . . .	<u>11,498</u>	<u>12,498</u>	<u>1,672,037</u>	<u>1,659,539</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures. . . . .	-	-	7,529	7,529
Transfers (out). . . . .	(58,000)	(59,000)	(59,000)	-
Total other financing sources (uses) . . . . .	<u>(58,000)</u>	<u>(59,000)</u>	<u>(51,471)</u>	<u>7,529</u>
Net change in fund balance . . . . .	(46,502)	(46,502)	1,620,566	1,667,068
<b>Unencumbered fund balance at beginning of year.</b>	10,868,526	10,868,526	10,868,526	-
<b>Prior year encumbrances appropriated . . . . .</b>	223,361	223,361	223,361	-
<b>Unencumbered fund balance at end of year . . . . .</b>	<u>\$ 11,045,385</u>	<u>\$ 11,045,385</u>	<u>\$ 12,712,453</u>	<u>\$ 1,667,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	<u>Custodial</u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	<u>\$ 27,500</u>
<b>Net position:</b>	
Restricted for scholarships . . . . .	<u>\$ 27,500</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Custodial</b>
<b>Additions:</b>	
Extracurricular collections . . . . .	\$ 1,463
Contributions and donations . . . . .	27,500
Total additions. . . . .	28,963
 <b>Deductions:</b>	
Extracurricular disbursement to OHSAA. . . . .	1,463
Distribution of scholarships awarded. . . . .	24,500
Total deductions. . . . .	25,963
 Change in net position. . . . .	 3,000
 <b>Net position at beginning of year (restated) . . . . .</b>	 24,500
<b>Net position at end of year . . . . .</b>	<b>\$ 27,500</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

The Firelands Local School District, Lorain County, Ohio (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under an elected Board of Education, consisting of five members and is responsible for the provision of public education to residents of the District.

The District is staffed by approximately 178 full-time and 52 part time employees. Of those employees, 120 are certificated professionals. Personnel of the district provide services to approximately 1,700 students and other community members.

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

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

**A. Reporting Entity**

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

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

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Lorain County Joint Vocational School District (JVS)

The Lorain County Joint Vocational School District (JVS) is a distinct subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected Board, which possesses its own budgeting and taxing authority. Accordingly, the JVS is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio, 44074.

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2020, the District paid META Solutions \$75,594 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Lake Erie Regional Council (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as media center, gas consumption, driver education, food service, and insurance. Each member provides operating resources to the LERC on a per-pupil or actual usage charge. The LERC Assembly consists of a Superintendent or designated representative from each participating school district and the fiscal agent. The LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio, 44035.

*PUBLIC ENTITY RISK POOL*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley Uniservice, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.



**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

*GOVERNMENTAL FUNDS*

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

The following are the District's major governmental funds:

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

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment.

*Classroom facilities fund* - The classroom facilities capital projects fund is used to account for and report financial resources that are restricted to expenditures related to the District's construction project with the Ohio Facilities Construction Commission (OFCC).

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: private-purpose trust funds, custodial funds, pension trust funds and investment trust funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial funds account for funds collected and distributed on behalf of the Ohio High School Athletic Association (OHSAA) events and scholarships in which the District has no administrative involvement.

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

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

The fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures for the general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of expenditures. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

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

Estimated Resources:

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriations resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriations resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level must be approved by the Board of Education.

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

**F. Cash and Investments**

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

During fiscal year 2020, investments consisted of Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, negotiable certificates of deposit (CDs), U.S. Treasury Notes, U.S. government money market funds and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

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

Under existing Ohio statute, interest earnings are assigned to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$146,753, which includes \$21,950 assigned from other District funds.

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

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

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

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**G. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

**H. Inventory**

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

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**I. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	10 years

**J. Compensated Absences**

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

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable”. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**L. Bond Issuance Costs and Bond Premium/Discount**

On the governmental fund financial statements, issuance costs and bond premiums/discounts are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

**M. Fund Balance**

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

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

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

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

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

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



**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

**N. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District has no restricted assets as of June 30, 2020.

**Q. Interfund Activity**

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

**R. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column of the statement of net position.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

**T. Extraordinary and Special Items**

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

**U. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental. These fund reclassifications resulted in the restatement of the District's financial statements, see Note 3.B for detail.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

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

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

**B. Restatement of Net Position and Fund Balances**

The implementation of GASB Statement No. 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance as previously reported	\$ 10,692,445	\$ 947,553	\$ 8,145,729	\$ 2,950,416	\$ 22,736,143
GASB Statement No. 84	<u>803</u>	<u>-</u>	<u>-</u>	<u>17,072</u>	<u>17,875</u>
Restated fund balance, at June 30, 2019	<u>\$ 10,693,248</u>	<u>\$ 947,553</u>	<u>\$ 8,145,729</u>	<u>\$ 2,967,488</u>	<u>\$ 22,754,018</u>

The implementation of GASB Statement No. 84 had the following effect on the net position as reported at June 30, 2019:

	<u>Governmental Activities</u>
Net position as previously reported	\$ (3,212,264)
GASB Statement No. 84	<u>17,875</u>
Restated net position at June 30, 2019	<u>\$ (3,194,389)</u>

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$24,500. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$42,954.

**C. Deficit Fund Balances**

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

<u>Nonmajor fund</u>	<u>Deficit</u>
Title I	\$ 5,449
Improving teacher quality	3,964

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

At fiscal year end, the District had no in undeposited cash on hand.

**B. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$9,216,697. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2020, \$4,688,936 of the District's bank balance of \$9,627,872 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC, and \$4,688,936 by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

**C. Investments**

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>6 months or less</u>	<u>Investment Maturities</u>			<u>Greater than 24 months</u>
			<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	
<i>Fair value:</i>						
FNMA	\$ 676,511	\$ 376,493	\$ -	\$ -	\$ -	\$ 300,018
FHLMC	1,351,832	-	-	-	249,995	1,101,837
FHLB	952,896	-	449,676	-	-	503,220
FFCB	1,063,218	-	-	-	749,955	313,263
U.S. Treasury notes	5,879,749	1,952,762	3,926,987	-	-	-
U.S. Government money market	245,977	245,977	-	-	-	-
Negotiable CDs	5,658,360	1,694,560	436,641	255,462	671,033	2,600,664
<i>Amortized cost:</i>						
STAR Ohio	<u>15,214,732</u>	<u>15,214,732</u>	-	-	-	-
Total	<u>\$ 31,043,275</u>	<u>\$ 19,484,524</u>	<u>\$ 4,813,304</u>	<u>\$ 255,462</u>	<u>\$ 1,670,983</u>	<u>\$ 4,819,002</u>

The weighted average maturity of investments is 0.81 years.

The District's investments in U.S. Government money market accounts are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FNMA, FHLMC, FHLB and FFCB), U.S. Treasury notes and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Credit Risk:* The District's investments in federal agency securities (FHLMC, FNMA, FHLB and FFCB) and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in negotiable CDs and U.S. Government money market funds were not rated. The negotiable CDs were fully insured by FDIC. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
<i>Fair value:</i>		
FNMA	\$ 676,511	2.18
FHLMC	1,351,832	4.36
FHLB	952,896	3.07
FFCB	1,063,218	3.42
U.S. Treasury Note	5,879,749	18.94
U.S. Government Money Market	245,977	0.79
Negotiable CDs	5,658,360	18.23
<i>Amortized cost:</i>		
STAR Ohio	<u>15,214,732</u>	<u>49.01</u>
Total	<u>\$ 31,043,275</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 9,216,697
Investments	<u>31,043,275</u>
Total	<u>\$ 40,259,972</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 40,232,472
Custodial fund	<u>27,500</u>
Total	<u>\$ 40,259,972</u>

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2020 consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental fund from:</u>	<u>Amount</u>
General fund	<u>\$ 40,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The District transferred \$40,000 from the general fund to the district managed student activities special revenue fund during fiscal year 2020.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

- B. Due to/from other funds consisted of the following at June 30, 2020, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 30,352</u>

The primary purpose of the amount due to the general fund from the nonmajor governmental funds was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - PROPERTY TAXES**

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

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



**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Lorain and Erie Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$1,453,654 in the general fund, \$190,077 in the bond retirement fund and \$105,177 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$1,474,462 in the general fund, \$217,040 in the bond retirement fund (a nonmajor governmental fund) and \$102,592 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 328,835,840	94.90	\$ 333,451,010	85.95
Public utility personal	<u>17,682,430</u>	<u>5.10</u>	<u>54,512,520</u>	<u>14.05</u>
Total	<u>\$ 346,518,270</u>	<u>100.00</u>	<u>\$ 387,963,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 55.40		\$ 54.11	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2020 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 12,236,727
Payments in lieu of taxes	12,583
Accounts	52,862
Accrued interest	71,205
Intergovernmental	<u>5,378,680</u>
Total receivables	<u>\$ 17,752,057</u>

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 7 - RECEIVABLES - (Continued)**

Receivables have been disaggregated on the face of the financial statements. All receivables, except property taxes and the OFCC intergovernmental receivable, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The OFCC intergovernmental receivable of \$5,267,373 will be collected over the duration of the construction project.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2020</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 851,565	\$ -	\$ -	\$ 851,565
Construction in progress	<u>114,389</u>	<u>213,862</u>	<u>(81,218)</u>	<u>247,033</u>
Total capital assets, not being depreciated	<u>965,954</u>	<u>213,862</u>	<u>(81,218)</u>	<u>1,098,598</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,030,178	-	-	2,030,178
Buildings and improvements	9,738,383	348,841	-	10,087,224
Furniture and equipment	2,593,587	77,317	-	2,670,904
Vehicles	<u>2,423,790</u>	<u>168,552</u>	<u>(179,385)</u>	<u>2,412,957</u>
Total capital assets, being depreciated	<u>16,785,938</u>	<u>594,710</u>	<u>(179,385)</u>	<u>17,201,263</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,196,194)	(71,422)	-	(1,267,616)
Buildings and improvements	(7,943,565)	(103,614)	-	(8,047,179)
Furniture and equipment	(1,979,579)	(151,899)	-	(2,131,478)
Vehicles	<u>(1,538,092)</u>	<u>(165,633)</u>	<u>179,385</u>	<u>(1,524,340)</u>
Total accumulated depreciation	<u>(12,657,430)</u>	<u>(492,568)</u>	<u>179,385</u>	<u>(12,970,613)</u>
Governmental activities capital assets, net	<u>\$ 5,094,462</u>	<u>\$ 316,004</u>	<u>\$ (81,218)</u>	<u>\$ 5,329,248</u>

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 80,592
Special	3,871
Vocational	7,460
Support services:	
Pupil	1,454
Instructional staff	11,438
Administration	6,060
Operations and maintenance	144,020
Pupil transportation	153,153
Central	74,467
Extracurricular activities	7,022
Food service operations	<u>3,031</u>
Total depreciation expense	<u>\$ 492,568</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$365,863. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2020 for this equipment was \$146,346, leaving a current book value of \$219,517. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2020 totaled \$66,557 paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 80,900
2022	80,900
2023	<u>80,900</u>
Total minimum lease payments	242,700
Less: amount representing interest	<u>(22,389)</u>
Total	<u>\$ 220,311</u>

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during fiscal year 2020 were as follows.

	Balance			Balance	Amounts
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease obligations	\$ 286,868		\$ (66,557)	\$ 220,311	\$ 69,884
Net pension liability	19,753,134	70,499	(208,999)	19,614,634	-
Net OPEB liability	2,233,027	-	(240,003)	1,993,024	-
Energy conservation improvement bonds	450,000	-	(70,000)	380,000	70,000
Bond anticipation note	9,940,000	-	(9,940,000)	-	-
School improvement bonds, series 2019A	-	9,310,000	(385,000)	8,925,000	320,000
School improvement bonds, series 2019B	-	14,540,000	-	14,540,000	15,000
Compensated absences	<u>1,157,577</u>	<u>159,464</u>	<u>(114,341)</u>	1,202,700	<u>115,066</u>
Unamortized premium on bonds				<u>1,047,607</u>	
Total governmental activities long-term liabilities	<u>\$ 33,820,606</u>	<u>\$ 24,079,963</u>	<u>\$ (11,024,900)</u>	<u>\$ 47,923,276</u>	<u>\$ 589,950</u>

*Capital Lease Obligations:* The capital lease obligations will be paid from the permanent improvement fund (a nonmajor governmental fund). See Note 9 for details.

*Net Pension Liability:* See Notes 13 for details on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

*Net OPEB Liability:* See Note 14 for details on the District's net OPEB liability. The District pays obligations related to employee compensation from the fund benefitting from their service, which is primarily the general fund.

*Compensated Absences:* Compensated absences are paid primarily from the general fund and the food service fund (a nonmajor governmental fund).

B. *Energy Conservation Improvement Bonds - Series 2010:* On September 1, 2010, the District issued \$1,060,000 in energy conservation improvement bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 5.2% and are scheduled to mature in fiscal year 2025. Payments of principal and interest relating to these bonds are recorded as expenditures in the general fund.

These bonds are considered Qualified School Construction Bonds (QSCBs), which makes them a taxable direct payment special obligation. For the QSCBs, the District receives a direct payment subsidy from the United States Treasury equal to 100% of the lesser of the interest payments on the bonds or the federal tax credits that would otherwise have been available to the holders of the bonds. The District recorded this subsidy from the federal government in the amount of \$24,207 in the general fund. The balance of these bonds at June 30, 2020 in the amount of \$380,000 has been included on the statement of net position.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation improvement bonds:

Year Ending <u>June 30,</u>	<u>Energy Conservation Improvement Bonds - Series 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 70,000	\$ 19,760	\$ 89,760
2022	70,000	16,120	86,120
2023	70,000	12,480	82,480
2024	70,000	8,840	78,840
2025	<u>100,000</u>	<u>5,200</u>	<u>105,200</u>
Total	<u>\$ 380,000</u>	<u>\$ 62,400</u>	<u>\$ 442,400</u>

C. *Bond Anticipation Notes - Series 2018* - On December 28, 2018, the District issued \$9,940,000 in bond anticipation notes to begin a school facilities construction and improvement project. The notes were deposited in the classroom facilities fund and the building fund (a nonmajor governmental fund). The notes matured on August 22, 2019 and bore an interest rate of 2.12%. The notes were retired from the bond retirement fund using the proceeds from the District's \$9,310,000 bond issue dated July 11, 2019. In accordance with accounting principles generally accepted in the United States of America, the bond anticipation notes were classified as long-term obligations until they were replaced with long-term bonds.

D. The District issued \$23,850,000 in school facilities improvement general obligation bonds during fiscal year 2020. These bonds were issued for general governmental activities, specifically; construction and/or renovation of school buildings. These general obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and payable from taxes levied on all taxable property in the district. Accordingly, such unmatured obligations of the District are accounted for on the statement of net position. Payments of principal and interest relating to these bonds are recorded as expenditures in the District's bond retirement fund.

*School Improvement Bonds, Series 2019A (General Obligation)* - On July 11, 2019, the District issued current interest bonds in the amount of \$9,310,000, plus net original premium \$627,688, less bond issue costs of \$140,904. Interest payments on the bond are due May 1 and November 1 of each year, beginning November 1, 2019 (interest rate 2.0% to 4.0%). The bonds mature on November 1, 2047.

*School Improvement Bonds, Series 2019B (General Obligation)* - On October 15, 2019, the District issued current interest bonds in the amount of \$14,540,000, plus net original premium \$449,820, less bond issue costs of \$212,844. Interest payments on the bonds are due May 1 and November 1 of each year, beginning November 1, 2019 (interest rate 2.0% to 4.0%). The bonds mature on November 1, 2054.

At June 30, 2020, \$22,838,042 in bond proceeds remained unspent.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

E. The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ending June 30.	Series 2019A GO Bonds			Series 2019B GO Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 320,000	\$ 329,450	\$ 649,450	\$ 15,000	\$ 516,200	\$ 531,200
2022	330,000	318,050	648,050	15,000	515,900	530,900
2023	345,000	304,550	649,550	10,000	515,650	525,650
2024	360,000	294,050	654,050	10,000	515,450	525,450
2025	365,000	283,150	648,150	10,000	515,250	525,250
2026-2030	2,055,000	1,180,150	3,235,150	65,000	2,569,850	2,634,850
2031-2035	2,505,000	725,350	3,230,350	75,000	2,556,050	2,631,050
2036-2040	1,050,000	359,450	1,409,450	2,100,000	2,350,550	4,450,550
2041-2045	945,000	173,825	1,118,825	2,870,000	1,849,750	4,719,750
2046-2050	650,000	29,700	679,700	3,955,000	1,202,200	5,157,200
2051-2055	-	-	-	5,415,000	415,875	5,830,875
Total	<u>\$ 8,925,000</u>	<u>\$ 3,997,725</u>	<u>\$ 12,922,725</u>	<u>\$ 14,540,000</u>	<u>\$ 13,522,725</u>	<u>\$ 28,062,725</u>

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$12,592,583 (including available funds of \$1,139,865) and an unvoted debt margin of \$387,964.

**NOTE 11 - COMPENSATED ABSENCES**

Employees earn vacation at rates specified under various labor agreements and based on credited service. Teachers and some administrators do not earn vacation time. Administrators, clerical, technical, and maintenance and operations employees with one or more years of service are entitled to vacation ranging from five to twenty days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Unused vacation is not cumulative to the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less-than-full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 75 days for all employees after three years of service with the District.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District contracted with Ohio Casualty Insurance Company through Fitzgibbons, Arnold & Co. for professional liability insurance, fleet insurance, and insurance coverage for property, inland marine and employee theft. Coverages provided and deductibles are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$45,847,108	value
Inland marine coverage (\$250 deductible)	1,211,513	value
Automobile liability (\$1,000 deductible for comprehensive)	1,000,000	limit
Uninsured Motorists (no deductible)	1,000,000	limit
Employee theft	25,000	limit

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from fiscal year 2019.

**B. Employee Health and Dental**

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. LERC is a fully insured consortium. The District provides medical and dental benefits to most employees. The premium and coverages vary with employee depending on marital status.

**C. Workers' Compensation Rating Program**

For fiscal year 2020, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**FIRELANDS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The District's contractually required contribution to SERS was \$370,798 for fiscal year 2020. Of this amount, \$37,623 is reported as pension and postemployment benefits payable.

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

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's contractually required contribution to STRS was \$1,112,851 for fiscal year 2020. Of this amount, \$187,440 is reported as pension and postemployment benefits payable.

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

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

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

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.07935670%	0.06916681%	
Proportion of the net pension liability current measurement date	<u>0.07713970%</u>	<u>0.06782563%</u>	
Change in proportionate share	<u>-0.00221700%</u>	<u>-0.00134118%</u>	
Proportionate share of the net pension liability	\$ 4,615,404	\$ 14,999,230	\$ 19,614,634
Pension expense	\$ 618,693	\$ 1,952,138	\$ 2,570,831

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 117,037	\$ 122,120	\$ 239,157
Changes of assumptions	-	1,761,948	1,761,948
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	3,063	-	3,063
Contributions subsequent to the measurement date	<u>370,798</u>	<u>1,112,851</u>	<u>1,483,649</u>
Total deferred outflows of resources	<u>\$ 490,898</u>	<u>\$ 2,996,919</u>	<u>\$ 3,487,817</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 64,930	\$ 64,930
Net difference between projected and actual earnings on pension plan investments	59,241	733,080	792,321
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>96,007</u>	<u>458,490</u>	<u>554,497</u>
Total deferred inflows of resources	<u>\$ 155,248</u>	<u>\$ 1,256,500</u>	<u>\$ 1,411,748</u>

\$1,483,649 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 62,287	\$ 702,824	\$ 765,111
2022	(127,090)	60,285	(66,805)
2023	(3,942)	(165,542)	(169,484)
2024	33,597	30,001	63,598
Total	\$ (35,148)	\$ 627,568	\$ 592,420

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

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

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 6,467,830	\$ 4,615,404	\$ 3,061,912

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

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 21,919,704	\$ 14,999,230	\$ 9,140,695

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$52,013.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$52,013 for fiscal year 2020. Of this amount, \$52,013 is reported as pension and postemployment benefits payable.

***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.



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

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

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

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

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.08049060%	0.06916681%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.07925210%</u>	<u>0.06782563%</u>	
Change in proportionate share	<u>-0.00123850%</u>	<u>-0.00134118%</u>	
Proportionate share of the net OPEB liability	\$ 1,993,024	\$ -	\$ 1,993,024
Proportionate share of the net OPEB asset	\$ -	\$ (1,123,355)	\$ (1,123,355)
OPEB expense	\$ 47,527	\$ (354,287)	\$ (306,760)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 29,256	\$ 101,841	\$ 131,097
Net difference between projected and actual earnings on OPEB plan investments	4,784	-	4,784
Changes of assumptions	145,568	23,613	169,181
Difference between employer contributions and proportionate share of contributions/change in proportionate share	1,293	-	1,293
Contributions subsequent to the measurement date	<u>52,013</u>	<u>-</u>	<u>52,013</u>
Total deferred outflows of resources	<u>\$ 232,914</u>	<u>\$ 125,454</u>	<u>\$ 358,368</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 437,854	\$ 57,153	\$ 495,007
Net difference between projected and actual earnings on OPEB plan investments	-	70,555	70,555
Changes of assumptions	111,685	1,231,629	1,343,314
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>41,741</u>	<u>38,777</u>	<u>80,518</u>
Total deferred inflows of resources	<u>\$ 591,280</u>	<u>\$ 1,398,114</u>	<u>\$ 1,989,394</u>

\$52,013 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (128,583)	\$ (278,517)	\$ (407,100)
2022	(64,679)	(278,517)	(343,196)
2023	(63,276)	(250,240)	(313,516)
2024	(63,502)	(240,321)	(303,823)
2025	(61,813)	(227,007)	(288,820)
Thereafter	<u>(28,526)</u>	<u>1,942</u>	<u>(26,584)</u>
Total	<u>\$ (410,379)</u>	<u>\$ (1,272,660)</u>	<u>\$ (1,683,039)</u>

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,419,153	\$ 1,993,024	\$ 1,654,201
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,596,816	\$ 1,993,024	\$ 2,518,696

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

***Actuarial Assumptions - STRS***

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

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

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

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

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

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

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

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

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

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	1.00	2.25
Total	<u>100.00 %</u>	

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 958,560	\$ 1,123,355
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 1,273,833	\$ 1,123,355	\$ 939,056

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,620,566
Net adjustment for revenue accruals	137,095
Net adjustment for expenditure accruals	16,440
Net adjustment for other sources/uses	11,471
Funds budgeted elsewhere	33,473
Adjustment for encumbrances	284,723
GAAP basis	<u>\$ 2,103,768</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund, unclaimed monies and termination benefits fund.

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

There are currently three significant property valuation matters in dispute involving Green Circle Growers Inc. Specifically, Green Circle Growers Inc., which owns and operates a large greenhouse complex in the School District, has challenged the valuation/classification of its property for tax years 2015 and 2016, 2017, and 2018. For tax years 2015 and 2016, the Lorain County Auditor had valued the property at approximately \$40.2 million but, upon appeal of this valuation, the Board of Tax Appeals has determined it to be approximately \$10.2 million. The matter is now before the Court of Appeals for the Ninth Judicial District in Lorain County. Briefs were filed, an oral argument was held in late May 2019, and a decision from the Court of Appeals has not been made prior to the issuance of this report. If the \$10.2 million valuation prevails, and the property in question is considered to be personal rather than real property, Green Circle Growers will have paid the School District excess property taxes of approximately \$319,000 for tax years 2015 and 2016, totaling a \$635,000 refund.

There is also a tax year 2017 valuation matter pending at the Board of Tax Appeals which has been stayed until the matters relating to tax years 2015 and 2016 are resolved. For tax year 2017, the Lorain County Auditor increased the fair market value of the property to \$50,471,980, based on a re-measure of the property, which prompted Green Circle Growers to file another valuation complaint seeking a value of \$16,241,420. The potential loss of real estate taxes already paid to the District for tax year 2017 is approximately \$360,000.

Most recently, Green Circle Growers filed a new valuation complaint for tax year 2018 as a result of the Lorain County Auditor's reappraisal value of \$64,153,480. Green Circle Growers is alleging the tax year 2018 valuation to be \$16,241,420, placing approximately \$546,822 of real estate taxes (paid and to be paid) in jeopardy.

Other than noted above, the District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**NOTE 17 - SET-ASIDES**

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

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



**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

**NOTE 17 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	303,664
Current year qualifying expenditures	<u>(393,502)</u>
Total	<u>\$ (89,838)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

**NOTE 18 - COMMITMENTS**

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 259,841
Classroom facilities	2,403,375
Nonmajor governmental funds	<u>245,779</u>
Total	<u>\$ 2,908,995</u>

**NOTE 19 - COVID 19**

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

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REQUIRED SUPPLEMENTARY INFORMATION

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.07713970%	0.07935670%	0.07830930%	0.08007900%
District's proportionate share of the net pension liability	\$ 4,615,404	\$ 4,544,905	\$ 4,678,808	\$ 5,861,044
District's covered payroll	\$ 2,612,481	\$ 2,244,133	\$ 2,672,007	\$ 2,603,150
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.67%	202.52%	175.10%	225.15%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.08357660%	0.07803700%	0.07803700%
\$ 4,768,962	\$ 3,949,408	\$ 4,640,610
\$ 2,516,093	\$ 2,267,590	\$ 2,227,775
189.54%	174.17%	208.31%
69.16%	71.70%	65.52%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.06782563%	0.06916681%	0.06924483%	0.07018500%
District's proportionate share of the net pension liability	\$ 14,999,230	\$ 15,208,229	\$ 16,449,258	\$ 23,493,035
District's covered payroll	\$ 7,968,693	\$ 8,102,743	\$ 7,655,679	\$ 7,327,414
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.23%	187.69%	214.86%	320.62%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2016</b>	<b>2015</b>	<b>2014</b>
0.07201421%	0.07151839%	0.07151839%
\$ 19,902,621	\$ 17,395,748	\$ 20,721,701
\$ 7,727,629	\$ 7,307,208	\$ 7,727,638
257.55%	238.06%	268.15%
72.10%	74.70%	69.30%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 370,798	\$ 352,685	\$ 302,958	\$ 374,081
Contributions in relation to the contractually required contribution	<u>(370,798)</u>	<u>(352,685)</u>	<u>(302,958)</u>	<u>(374,081)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,648,557	\$ 2,612,481	\$ 2,244,133	\$ 2,672,007
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 364,441	\$ 331,621	\$ 314,288	\$ 308,324	\$ 315,836	\$ 297,389
<u>(364,441)</u>	<u>(331,621)</u>	<u>(314,288)</u>	<u>(308,324)</u>	<u>(315,836)</u>	<u>(297,389)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,603,150	\$ 2,516,093	\$ 2,267,590	\$ 2,227,775	\$ 2,348,223	\$ 2,365,863
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,112,851	\$ 1,115,617	\$ 1,134,384	\$ 1,071,795
Contributions in relation to the contractually required contribution	<u>(1,112,851)</u>	<u>(1,115,617)</u>	<u>(1,134,384)</u>	<u>(1,071,795)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,948,936	\$ 7,968,693	\$ 8,102,743	\$ 7,655,679
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,025,838	\$ 1,081,868	\$ 949,937	\$ 1,004,593	\$ 1,074,584	\$ 1,100,019
<u>(1,025,838)</u>	<u>(1,081,868)</u>	<u>(949,937)</u>	<u>(1,004,593)</u>	<u>(1,074,584)</u>	<u>(1,100,019)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,327,414	\$ 7,727,629	\$ 7,307,208	\$ 7,727,638	\$ 8,266,031	\$ 8,461,685
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.07925210%	0.08049060%	0.07954730%	0.08125793%
District's proportionate share of the net OPEB liability	\$ 1,993,024	\$ 2,233,027	\$ 2,134,841	\$ 2,316,152
District's covered payroll	\$ 2,612,481	\$ 2,244,133	\$ 2,672,007	\$ 2,603,150
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.29%	99.51%	79.90%	88.97%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.06782563%	0.06916681%	0.06924483%	0.07018500%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,123,355)	\$ (1,111,440)	\$ 2,701,678	\$ 3,753,512
District's covered payroll	\$ 7,968,693	\$ 8,102,743	\$ 7,655,679	\$ 7,327,414
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.10%	13.72%	35.29%	51.23%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 52,013	\$ 62,368	\$ 54,631	\$ 33,106
Contributions in relation to the contractually required contribution	<u>(52,013)</u>	<u>(62,368)</u>	<u>(54,631)</u>	<u>(33,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,648,557	\$ 2,612,481	\$ 2,244,133	\$ 2,672,007
Contributions as a percentage of covered payroll	1.96%	2.39%	2.43%	1.24%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 41,574	\$ 66,808	\$ 43,166	\$ 39,567	\$ 49,577	\$ 69,569
<u>(41,574)</u>	<u>(66,808)</u>	<u>(43,166)</u>	<u>(39,567)</u>	<u>(49,577)</u>	<u>(69,569)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,603,150	\$ 2,516,093	\$ 2,267,590	\$ 2,227,775	\$ 2,348,223	\$ 2,365,863
1.60%	2.66%	1.90%	1.78%	2.11%	2.94%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,948,936	\$ 7,968,693	\$ 8,102,743	\$ 7,655,679
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 76,898	\$ 77,276	\$ 82,660	\$ 84,617
-	-	(76,898)	(77,276)	(82,660)	(84,617)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,327,414	\$ 7,727,629	\$ 7,307,208	\$ 7,727,638	\$ 8,266,031	\$ 8,461,685
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019 - 2020.

(Continued)

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00%

## **SUPPLEMENTARY INFORMATION**

**FIRELANDS LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(C) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
(D) School Breakfast Program	10.553	2020	\$ 51,041
(D) School Breakfast Program - COVID-19	10.553	2020	<u>29,994</u>
<b>Total School Breakfast Program</b>			<u>81,035</u>
(D) National School Lunch Program	10.555	2020	154,062
(D) National School Lunch Program - COVID-19	10.555	2020	53,129
(E) National School Lunch Program - Food Donation	10.555	2020	<u>43,241</u>
<b>Total National School Lunch Program</b>			<u>250,432</u>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>			<u>331,467</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2019	16,623
Title I Grants to Local Educational Agencies	84.010	2020	<u>146,768</u>
<b>Total Title I Grants to Local Educational Agencies</b>			<u>163,391</u>
<b>Special Education Cluster (IDEA):</b>			
Special Education-Grants to States	84.027	2020	<u>329,744</u>
<b>Total Special Education Grants to States and Special Education Cluster (IDEA)</b>			<u>329,744</u>
Supporting Effective Instruction State Grants	84.367	2020	<u>38,666</u>
Student Support and Academic Enrichment Program	84.424	2020	<u>11,570</u>
<b>Total U.S. Department of Education</b>			<u>543,371</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 874,838</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) This schedule includes the federal award activity of the Firelands Local School District under programs of the federal government for the fiscal year ended June 30, 2020 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Firelands Local School District, it is not intended to and does not present the financial position or changes in net position, of the Firelands Local School District.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (C) OAKS did not assign pass-through numbers for fiscal year 2020.
- (D) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Firelands Local School District  
Lorain County  
112 North Lake Street  
South Amherst, Ohio 44001

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Firelands Local School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Firelands Local School District's basic financial statements, and have issued our report thereon dated January 28, 2021, wherein we noted as described in Note 3 to the financial statements, the Firelands Local School District adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Julian & Grube, Inc.  
January 28, 2021



**Independent Auditor's Report on Compliance for the Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Firelands Local School District  
Lorain County  
112 North Lake Street  
South Amherst, Ohio 44001

To the Board of Education:

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

We have audited the Firelands Local School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Firelands Local School District's major federal program for the fiscal year ended June 30, 2020. The Firelands Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Firelands Local School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Firelands Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Firelands Local School District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Firelands Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the fiscal year ended June 30, 2020.

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

Management of the Firelands Local School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Firelands Local School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Firelands Local School District's internal control over compliance.

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

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

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



Julian & Grube, Inc.  
January 28, 2021

**FIRELANDS LOCAL SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster (IDEA)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

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

None

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# OHIO AUDITOR OF STATE KEITH FABER



**FIRELANDS LOCAL SCHOOL DISTRICT**

**LORAIN 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 4/6/2021**

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

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