



OHIO AUDITOR OF STATE
KEITH FABER



**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

North Olmsted City School District
Cuyahoga County
26669 Butternut Ridge Road
North Olmsted, Ohio 44070

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 North Olmsted City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 3, 2022

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North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

The management discussion and analysis of North Olmsted City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2021 are as follows:

Net position decreased \$ 3,693,011 from the previous year.

The General Fund has a strong unrestricted cash balance of \$ 16.5 million at June 30, 2021, which mirrors the balance at June 30, 2020.

Revenues for governmental activities totaled \$ 69.3 million in fiscal year 2021 as compared to \$ 59.8 in 2020.

In fiscal year 2021, 89.1 percent of total revenue consisted of general revenues while program revenues accounted for the remaining balance of 10.9 percent.

At June 30, 2021, the Debt Service Fund had a cash balance of \$ 3.4 million.

Using this Annual Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the North Olmsted City Schools District, the General Fund is by far the most significant fund.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* have been prepared using the accrual basis of accounting, similar to the method used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Position and the Statement of Activities, the School District is classified as governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

Reporting the School District's Most Significant Funds

Governmental Fund Financial Statements

The governmental fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these governmental fund financial statements focus on the School District's most significant funds. The School District has two major governmental funds, the General Fund and the Debt Service Fund.

Governmental Funds

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

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2021 compared to 2020.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

TABLE I
 Total Net Position

	2021	Restated 2020
Assets		
Current and other assets	\$ 73,966,418	\$ 73,301,993
Net OPEB asset	4,096,910	3,963,144
Total capital assets, net	<u>93,756,884</u>	<u>95,516,289</u>
Total assets	<u>171,820,212</u>	<u>172,781,426</u>
Deferred outflows of resources		
Deferred charge on refunding	1,779,842	1,855,580
Pension	12,276,570	11,994,000
OPEB	1,803,660	1,275,159
Total deferred outflows of resources	<u>15,860,072</u>	<u>15,124,739</u>
Liabilities		
Current liabilities	9,793,217	9,336,212
Long term liabilities		
Due within one year	2,675,275	2,220,390
Due in more than one year		
Net pension liability	73,266,064	68,521,936
OPEB	5,740,296	6,736,473
Other amounts	82,996,598	82,847,299
Total liabilities	<u>174,471,450</u>	<u>169,662,310</u>
Deferred inflows of resources		
Property taxes levied for next year	41,416,715	41,508,776
Pension	3,368,415	5,628,764
OPEB	8,341,361	7,330,961
Total deferred inflows of resources	<u>53,126,491</u>	<u>54,468,501</u>
Net position		
Net investment in capital assets	21,354,903	18,813,972
Restricted	8,489,762	8,541,119
Unrestricted	(69,762,322)	(63,579,737)
Total net position	<u>\$ (39,917,657)</u>	<u>\$ (36,224,646)</u>

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

The net pension and OPEB liability are the largest liabilities reported by the School District at June 30, 2021 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset, and deferred outflows related to pension and OPEB.

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 to equal the School 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 School 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.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

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 School 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.

Total assets decreased by \$ 961,214. This decrease can primarily be attributed to decreases of \$ 1,759,405 in capital assets, \$ 466,326 in equity in pooled cash, which were offset with an increase of \$ 1,249,504 in taxes receivable.

Total liabilities increased by \$ 4,809,140. This increase is primarily due to an increase of \$ 4,744,128 in net pension liability.

To determine the overall financial performance of the School District one must consider the relative changes in net position. By comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources, one can see that the overall position of the School District has declined as evidenced by the decrease in net position of \$ 3,693,011. A change in net position indicates how an entity is providing for future generations.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

Governmental Activities

Table 2 summarizes the revenue, expenses and changes in net position for fiscal years 2021 compared to 2020.

Table 2
 Changes in Net Position

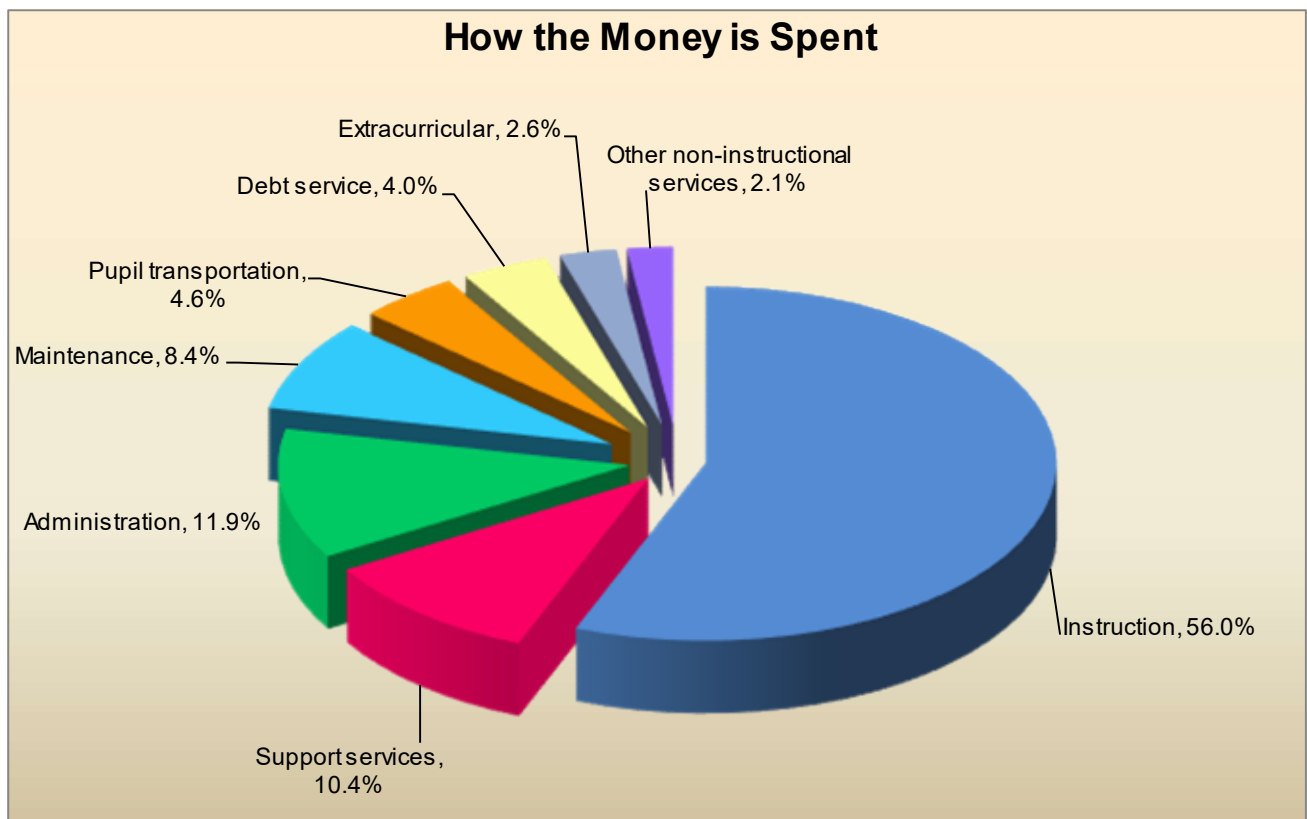
	2021	Restated 2020
Revenues		
Program revenues		
Charges for services and sales	\$ 788,860	\$ 1,489,673
Operating grants, interest and contributions	6,787,158	3,065,415
Total program revenues	<u>7,576,018</u>	<u>4,555,088</u>
General revenues		
Property taxes	45,572,727	39,067,725
Payments in lieu of taxes	1,487,434	1,278,073
Grants and entitlements not restricted to specific purposes	13,976,787	13,060,971
Investment earnings	200,365	587,227
Miscellaneous	489,563	1,271,386
Total general revenues	<u>61,726,876</u>	<u>55,265,382</u>
Total revenues	<u>69,302,894</u>	<u>59,820,470</u>
Program expenses		
Instruction	40,860,622	39,100,294
Supporting services		
Pupil and instructional staff	7,574,056	7,088,062
Board of education, administration, fiscal services and business	8,711,319	7,097,812
Operation and maintenance	4,905,806	4,407,948
Pupil transportation	3,382,515	2,460,713
Central services	1,214,268	1,467,533
Operation of non-instructional services	1,559,261	1,426,244
Extracurricular activities	1,863,048	1,794,035
Interest and fiscal charges	2,925,010	2,836,343
Total expenses	<u>72,995,905</u>	<u>67,678,984</u>
Decrease in net position	(3,693,011)	(7,858,514)
Net position at beginning of year, restated	(36,224,646)	(28,366,132)
Net position at end of year	<u><u>\$(39,917,657)</u></u>	<u><u>\$(36,224,646)</u></u>

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

The vast majority of revenues supporting all Governmental Activities are general revenues. General revenue totaled \$ 61.7 million or 89.1 percent of the total revenue. The most significant portion of the general revenues is local property tax. Property tax revenue in fiscal year 2021 increased \$ 6,505,002 from the previous year. The increase in tax revenue is due primarily to an increase in the amount of property taxes available for advance from the Cuyahoga County Fiscal Officer. The remaining amount of revenue received is in the form of program revenues amounting to \$ 7.6 million or 10.9 percent of total revenue. Program revenues are derived from fees for services, sales from fund raising activities, operating grants, interest and contributions. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Total expenses increased by \$ 5,316,921. Approximately 66.4 percent of the School District's budget is used to fund instructional and direct classroom support service expenses while only 11.9 percent of the budget is spent on administrative expenses. The remaining 21.7 percent of the budget is used to maintain the facilities, transport students, providing school lunches, offering sport and extracurricular programs to students. The relationship of these expenses is illustrated in the graph below.



North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

One method to evaluate the effective use of funds is to compare our cost per pupil with those of neighboring school districts. North Olmsted City School's cost per pupil of \$ 17,217 was ranked the 13th lowest within the County. A comparison of some of the neighboring school districts' cost per pupil can be found in Table 3.

Table 3
Cost per Pupil as of June 30, 2021
(the most recent data available)

<u>School District</u>	<u>Cost per Pupil</u>
Bay Village	\$ 14,677
Berea	15,103
Fairview Park	14,003
Lakewood	17,652
North Olmsted	17,217
Rocky River	16,162
Strongsville	14,052
Westlake	16,140

Source: Ohio Department of Education

The Statement of Activities shows the total net cost of program services. Table 4 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

Table 4
 Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program expenses				
Instruction	\$ 40,860,622	\$ 39,100,294	\$(36,681,012)	\$(37,452,028)
Supporting services				
Pupil and instructional staff	7,574,056	7,088,062	(6,304,124)	(5,706,531)
Board of education, administration, fiscal services and business	8,711,319	7,097,812	(8,546,990)	(7,096,428)
Operation and maintenance	4,905,806	4,407,948	(4,784,049)	(4,407,948)
Pupil transportation	3,382,515	2,460,713	(3,305,071)	(2,440,713)
Central services	1,214,268	1,467,533	(1,176,434)	(1,453,133)
Operation of non-instructional services				
Food service operation	1,273,150	1,268,847	(13,975)	(200,704)
Community services	286,111	157,397	(69,831)	(950)
Extracurricular activities	1,863,048	1,794,035	(1,613,391)	(1,529,118)
Interest and fiscal charges	2,925,010	2,836,343	(2,925,010)	(2,836,343)
Total expenses	<u>\$ 72,995,905</u>	<u>\$ 67,678,984</u>	<u>\$(65,419,887)</u>	<u>\$(63,123,896)</u>

The primary source of general revenue is property taxes levied. In fiscal years 2021 and 2020, property taxes accounted for 73.8 and 70.7 percent, respectively, of general revenue. Clearly, the North Olmsted community is by far the greatest source of financial support for the students of the North Olmsted City Schools.

School District Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful for assessing the School District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The School District's major funds are accounted for using the modified accrual basis of accounting. As of June 30, 2021, the School District's governmental funds reported combined ending fund balances of \$ 18,652,258 a decrease of \$ 816,374 in comparison with the prior year.

Total revenue increased \$ 9,631,031 from the prior year. The increase was due primarily to a \$ 6,327,402 increase in taxes available for advance from the County Fiscal Officer and a \$ 4,431,357 increase in intergovernmental revenue.

Total expenditures increased by \$ 3,446,067(5.2%) from the prior year, primarily due to an increase in supporting services of \$ 3,677,705.

The net change in fund balance for the General Fund was a decrease of \$ 726,986 in 2021 compared to a decrease of \$ 5,257,943 in 2020. The Debt Service Fund, a major fund, had a \$ 330,500 increase in fund balance.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

Prudent management of operating expenses by the Administration has allowed the School District to accumulate a General Fund unrestricted cash balance of \$ 16.5 million at June 30, 2021. This cash reserve allows the School District to insulate itself from the effects of fluctuations in revenue due to adverse economic conditions and prevents the need to make dramatic cuts in programs and services.

General Fund Budgeting Highlights

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

During fiscal year 2021, the School District amended its General Fund Budget several times. For the General Fund, the final budget basis revenue and other sources estimate was \$ 56,313,133 which was 430,543 higher than the original estimate and \$ 181,806 less than actual. The final budget basis expenditures and other uses estimate totaled \$ 59,804,563 which was \$ 263,198 higher than the original budget estimate. Actual expenditures were \$ 57,802,448 which was \$ 2,002,115 lower than final budget basis expenditures. The unencumbered ending cash balance totaled \$ 14,707,055.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. At the end of fiscal 2021 the School District had \$ 93.8 million invested in net capital assets. Table 5 shows fiscal 2021 values compared to fiscal 2020.

Table 5
Capital Assets
 (Net of Accumulated Depreciation)

	2021	2020
Land	\$ 1,504,554	\$ 1,504,554
Land improvements	10,903,601	11,387,055
Buildings and improvements	73,911,437	73,628,019
Furniture and equipment	6,119,019	7,629,331
Vehicles	1,318,273	1,367,330
Total net capital assets	\$ 93,756,884	\$ 95,516,289

During fiscal 2021, the School District purchased \$ 2,070,552 of capital assets. Approximately 84.3 percent of these purchases are related to the building improvements. More information on capital assets is presented in Note 8 of the notes to the basic financial statements.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

Debt Administration

At June 30, 2021, the School District had \$ 164,678,323 in long-term obligations, an increase of \$ 4,352,135. This increase is primarily the result of increases in compensated absences and net pension liability, which were offset with a decrease of \$ 1,244,150 in term and serial bonds. \$ 2,675,275 of the long-term obligations are due within one year. Table 6 shows fiscal 2021 values compared to fiscal 2020.

Table 6
 Outstanding Debt Year-End

	2021	2020
Term and serial bonds	\$ 69,943,881	\$ 71,188,031
Unamortized bond premium	7,116,155	7,369,866
Compensated absences	8,611,837	6,509,792
Net pension liability	73,266,064	68,521,936
Net OPEB liability	5,740,296	6,736,473
Total outstanding debt	\$ 164,678,233	\$ 160,326,098

More information on debt is presented in Note 13 of the notes to the basic financial statements.

School District Outlook

During fiscal years 2018 and 2019, the North Olmsted City Schools, like most school districts in Ohio, faced a serious decline in operating revenues due to the nationwide economic recession, the real estate foreclosure crisis, and cutbacks in state funding. The Board of Education was able to stabilize the School District's finances through a combination of budgetary cuts, employee concessions, and community support of a new operating levy.

The School District has been on the downside of the operating levy life cycle, needing ask voters to approve additional funds. Annual operating expenditures are exceeding operating revenues. By 2024, the district will fact operating deficits and they will progressively get larger over the remaining years of the five-year forecast.

The district did not experience significant revenue growth from the State's Fair Funding Formula, however there was a large decrease in expenditures. Purchased services were reduced due to scholarship, open enrollment and tuition payments to other districts no longer being deducted from the district but directly paid to the entities.

The Board of Education approved the closure of two elementary buildings, Forest and Spruce. These buildings will close at the end of the 2021-2022 school year. The district will be redistricted and students will attend the four remaining elementary buildings. The district would like this to be a temporary solution, as these four buildings need over \$447M in capital improvements. The building closures are projected to save the district \$800,000 annually. The district has already taken steps to participate in the Ohio Facilities Project ELPP, which will provide State partnership on a future building project.

A copy of the School District's Financial Forecast and the major assumptions used in its preparation are posted on the School District's website at www.northolmstedschools.org/treasurer. Based upon the School District's Financial Forecast, the Board of Education will need to consider placing an operating levy on the ballot in calendar year 2021. The Administration is working a comprehensive plan to reduce operating costs.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

(Unaudited)

In September 2018, the Administration completed the construction of a new middle/high school, a performing arts center, and sport complex. The project was funded with the proceeds from an \$ 80.5 million capital bond levy and \$ 9.0 million in matching state for constructing a new middle/high school complex.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. The North Olmsted City School District has committed itself to financial excellence for many years. The School District was the first school district in Ohio to receive the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting in 1985 and had received the award for thirty consecutive years. The District has also received the Association of School Business Officials (ASBO) Certificate of Achievement for Excellence in Financial Reporting for the past twenty-eight years.

If you have any questions about this report or need additional financial information, contact Katie Henes, Treasurer at North Olmsted City School District, 26669 Butternut Ridge Road, North Olmsted, Ohio 44070, by telephone at 440-588-5317 or by email at Katie.henes@nocseagles.org.

NORTH OLMSTED CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
Assets	
Equity in pooled cash	\$ 27,808,155
Accounts receivable and other	2,993
Intergovernmental receivables	262,617
Taxes receivable	45,892,653
Net OPEB asset	4,096,910
Capital assets	
Nondepreciable capital assets	1,504,554
Depreciable capital assets	92,252,330
Total assets	<u>171,820,212</u>
Deferred outflow s of resources	
Deferral on refunding	1,779,842
Pension	12,276,570
OPEB	1,803,660
Total deferred outflow s of resources	<u>15,860,072</u>
Liabilities	
Accounts and contracts payable	498,365
Accrued salaries, wages and benefits	7,183,698
Accrued interest payable	213,500
Claims payable	916,500
Intergovernmental payable	981,154
Long-term liabilities	
Due within one year	2,675,275
Due in more than one year	
Net pension liability	73,266,064
Net OPEB liability	5,740,296
Other amounts	82,996,598
Total liabilities	<u>174,471,450</u>
Deferred inflow s of resources	
Property taxes levied for next year	41,416,715
Pension	3,368,415
OPEB	8,341,361
Total deferred inflow s of resources	<u>53,126,491</u>
Net position	
Net investment in capital assets	21,354,903
Restricted for:	
Debt service	3,624,539
Capital projects	3,634,548
Set-asides	223,073
Food service	222,286
Extracurricular activities	273,913
State grants	491,526
Federal grants	19,877
Unrestricted	(69,762,322)
Total net position	<u>\$ (39,917,657)</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Interest and Contributions	
Governmental activities:				
Instruction				
Regular	\$ 27,073,831	\$ 525,680	\$ 2,501,595	\$ (24,046,556)
Special	12,131,263	-	1,152,335	(10,978,928)
Vocational	501,017	-	-	(501,017)
Other instruction	1,154,511	-	-	(1,154,511)
Supporting services				
Pupil	5,076,181	-	665,763	(4,410,418)
Instructional staff	2,497,875	-	604,169	(1,893,706)
Board of education	65,636	-	-	(65,636)
Administration	6,543,642	-	52,533	(6,491,109)
Fiscal services	1,340,866	-	-	(1,340,866)
Business	761,175	-	111,796	(649,379)
Operation and maintenance	4,905,806	-	121,757	(4,784,049)
Pupil transportation	3,382,515	18,520	58,924	(3,305,071)
Central services	1,214,268	-	37,834	(1,176,434)
Operation of non-instructional services				
Food service operation	1,273,150	29,352	1,229,823	(13,975)
Community services	286,111	-	216,280	(69,831)
Extracurricular activities	1,863,048	215,308	34,349	(1,613,391)
Interest and fiscal charges	2,925,010	-	-	(2,925,010)
Total	<u>\$ 72,995,905</u>	<u>\$ 788,860</u>	<u>\$ 6,787,158</u>	<u>(65,419,887)</u>

General revenues	
Property taxes levied for:	
General purposes	40,238,884
Debt service	4,275,522
Capital improvements	1,058,321
Payments in lieu of taxes	1,487,434
Grants and entitlements not restricted to specific purposes	13,976,787
Investment earnings	200,365
Miscellaneous	489,563
Total general revenues	<u>61,726,876</u>
Change in net position	(3,693,011)
Net position at beginning of year, restated	(36,224,646)
Net position at end of year	<u>\$ (39,917,657)</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 16,521,883	\$ 3,426,571	\$ 4,711,575	\$ 24,660,029
Restricted cash	223,073	-	-	223,073
Receivables, net of allowance				
Taxes, current	39,322,581	4,142,588	1,023,584	44,488,753
Taxes, delinquent	1,249,100	122,100	32,700	1,403,900
Accounts and other	2,993	-	-	2,993
Intergovernmental receivables	26,949	-	235,668	262,617
Total assets	\$ 57,346,579	\$ 7,691,259	\$ 6,003,527	\$ 71,041,365
Liabilities				
Accounts and contracts payable	\$ 180,004	\$ -	\$ 318,361	\$ 498,365
Accrued salaries, wages and benefits	7,006,973	-	176,725	7,183,698
Intergovernmental payable	936,160	-	44,994	981,154
Matured compensated absences	905,275	-	-	905,275
Total liabilities	9,028,412	-	540,080	9,568,492
Deferred inflows of resources				
Property taxes levied for next year and unavailable resources	37,863,382	3,975,320	981,913	42,820,615
Total deferred inflows of resources	37,863,382	3,975,320	981,913	42,820,615
Fund balances (deficits)				
Restricted	-	3,715,939	4,649,269	8,365,208
Committed	487,073	-	-	487,073
Assigned	1,854,890	-	-	1,854,890
Unassigned	8,112,822	-	(167,735)	7,945,087
Total fund balances (deficits)	10,454,785	3,715,939	4,481,534	18,652,258
Total liabilities, deferred inflows of resources and fund balances	\$ 57,346,579	\$ 7,691,259	\$ 6,003,527	\$ 71,041,365

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total governmental fund balances		\$ 18,652,258
Amount reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		93,756,884
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflow s in the funds. These deferrals are primarily attributed to property taxes.		1,403,900
Net OPEB asset is not recognized in the funds.		4,096,910
Unamortized deferred charges on refundings are not recognized in the funds.		1,779,842
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(213,500)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in governmental funds		
Deferred outflow s - pension	\$ 12,276,570	
Deferred inflow s - pension	(3,368,415)	
Net pension liability	(73,266,064)	
Deferred outflow s - OPEB	1,803,660	
Deferred inflow s - OPEB	(8,341,361)	
Net OPEB liability	(5,740,296)	(76,635,906)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable	(7,706,562)	
Bonds payable	(69,943,881)	
Unamortized bond premium	(7,116,155)	(84,766,598)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		2,008,553
Net position of governmental activities		\$ (39,917,657)

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 40,049,084	\$ 4,258,122	\$ 1,053,521	\$ 45,360,727
Payments in lieu of taxes	1,487,434	-	-	1,487,434
Tuition and fees	510,898	-	-	510,898
Interest	190,313	297	8,939	199,549
Intergovernmental	13,749,272	112,333	6,902,340	20,763,945
Charges for services	-	-	29,352	29,352
Extracurricular	27,496	-	215,308	242,804
Donations and contributions	15,664	-	20,100	35,764
Other	775,036	-	-	775,036
Total revenues	<u>56,805,197</u>	<u>4,370,752</u>	<u>8,229,560</u>	<u>69,405,509</u>
Expenditures				
Current				
Instruction				
Regular	21,720,456	-	2,803,391	24,523,847
Special	10,722,746	-	1,126,825	11,849,571
Vocational	495,177	-	-	495,177
Other instruction	1,155,154	-	-	1,155,154
Supporting services				
Pupil	4,529,829	-	399,646	4,929,475
Instructional staff	1,755,270	-	726,041	2,481,311
Board of education	67,362	-	-	67,362
Administration	5,170,602	-	78,885	5,249,487
Fiscal services	1,505,313	-	45	1,505,358
Business	502,366	-	274,123	776,489
Operation and maintenance	4,031,077	-	533,034	4,564,111
Pupil transportation	3,166,033	-	209,595	3,375,628
Central services	1,073,596	-	86,085	1,159,681
Operation of non-instructional services				
Food service operation	60,176	-	1,173,570	1,233,746
Community services	21,617	-	188,991	210,608
Extracurricular activities	1,244,328	-	264,039	1,508,367
Capital outlay	-	-	785,178	785,178
Debt service				
Principal	285,000	1,460,000	-	1,745,000
Interest	26,081	2,580,252	-	2,606,333
Total expenditures	<u>57,532,183</u>	<u>4,040,252</u>	<u>8,649,448</u>	<u>70,221,883</u>
Net change in fund balances	(726,986)	330,500	(419,888)	(816,374)
Fund balances, beginning of year, restated	<u>11,181,771</u>	<u>3,385,439</u>	<u>4,901,422</u>	<u>19,468,632</u>
Fund balances, end of year	<u>\$ 10,454,785</u>	<u>\$ 3,715,939</u>	<u>\$ 4,481,534</u>	<u>\$ 18,652,258</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds		\$	(816,374)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which net capital outlay exceeded depreciation expense in the current period.			
Capital outlay		\$ 2,070,552	
Depreciation expense		<u>(3,821,933)</u>	(1,751,381)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets, net of proceeds received.			
			(8,024)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes		212,000	
Miscellaneous revenue		<u>(315,431)</u>	(103,431)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
			1,745,000
Accrued interest in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. Bond premium is reported in the governmental fund when bonds are issued, whereas these amounts are amortized in the statement of activities.			
Accrued interest		4,200	
Annual accretion		(500,850)	
Amortization of bond premium		253,711	
Amortization of deferred charges		<u>(75,738)</u>	(318,677)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			
Pension		5,244,635	
OPEB		<u>171,633</u>	5,416,268
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.			
Pension		(7,445,844)	
OPEB		<u>476,411</u>	(6,969,433)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated absences			(1,672,160)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal revenue fund is allocated among the governmental activities.			
			<u>785,201</u>
Change in net position of governmental activities		\$	<u><u>(3,693,011)</u></u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 55,882,590	\$ 56,313,133	\$ 56,494,939	\$ 181,806
Total expenditures and other uses	59,541,365	59,804,563	57,802,448	2,002,115
Net change in fund balances	(3,658,775)	(3,491,430)	(1,307,509)	2,183,921
Prior year encumbrances appropriated	534,941	534,941	534,941	-
Fund balances, beginning of year	15,479,623	15,479,623	15,479,623	-
Fund balances, end of year	<u>\$ 12,355,789</u>	<u>\$ 12,523,134</u>	<u>\$ 14,707,055</u>	<u>\$ 2,183,921</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUND
JUNE 30, 2021

	Self Insurance
Assets	
Current assets	
Equity in pooled cash	\$ 2,925,053
Total assets	2,925,053
Liabilities	
Current liabilities	
Claims payable	916,500
Total liabilities	916,500
Net position	
Unrestricted	\$ 2,008,553

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Self Insurance
Operating revenues	
Charges for services	\$ 10,954,949
Operating expenses	
Purchased services	984,646
Claims	9,185,918
Total operating expenses	10,170,564
Operating income	784,385
Nonoperating revenues	
Interest income	816
Change in net position	785,201
Net position, beginning of year	1,223,352
Net position, end of year	\$ 2,008,553

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 10,954,949
Cash payments for claims	(8,807,218)
Cash payments for goods and services	(984,646)
Net cash provided by operating activities	1,163,085
Cash flows from investing activities	
Interest income	816
Net cash provided by investing activities	816
Net increase in cash and cash equivalents	1,163,901
Cash and cash equivalents, beginning of year	1,761,152
Cash and cash equivalents, end of year	\$ 2,925,053
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 784,385
Adjustments	
Decrease in claims payable	378,700
Total adjustments	378,700
Net cash provided by operating activities	\$ 1,163,085

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUND
JUNE 30, 2021

	Custodial Fund
Assets	
Current assets	
Equity in pooled cash	\$ 73
Total assets	73
Liabilities	
Current liabilities	
Accounts and contracts payable	60
Total liabilities	60
Net position	
Restricted for other organizations	\$ 13

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CUSTODIAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
Additions	
Collections for other organizations	\$ 2,797
Total collections	2,797
Deductions	
Distributions to other organizations	2,784
Total deductions	2,784
Net change in fiduciary net position	13
Net position beginning of year, restated	-
Net position, end of year	\$ 13

See accompanying notes to the basic financial statements.

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NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The North Olmsted City School District (the School District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2020 was 3,576. The School District employs 301 certificated and 268 non-certificated employees.

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and, 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with the Polaris Career Center, the North Olmsted City Schools Education Foundation, the Ohio Schools Council, and the Northern Buckeye Education Council, which are considered to be jointly governed organizations. The School District also participates in a public risk pool managed by the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations and their relationships with the School District are described in more detail in Notes 10 and 15 of these financial statements.

B. BASIS OF PRESENTATION

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. However, internal fund services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for 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 School District, with certain limited exceptions. 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 School District.

Fund Financial Statements

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING

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

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the school district and is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used for the accumulation of resources for the payment of long-term debt principal, interest and related costs.

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

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental claims of School District employees.

Fiduciary Funds

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources 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.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. 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. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

E. 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. Proprietary and the 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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position 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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 School District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

Expenditures/Expenses

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation 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 budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

G. CASH AND INVESTMENTS

Cash received by the School District is deposited in one central bank account with individual fund balance integrity maintained through School District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. During fiscal year 2021, interest revenue credited to the General Fund amounted to \$ 190,313, of which \$ 71,781 was assigned from other funds.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

During fiscal year 2021, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, commercial paper, U.S. government money market mutual funds, municipal bonds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Investment in STAR Ohio is measured 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.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CASH AND INVESTMENTS (continued)

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

H. INVENTORY

Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories of supplies are reported at cost, whereas inventories held for resale are reported at the lower of cost or market. The School District did not have any inventory at year-end.

I. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond the current year-end are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The School District did not have any prepaid expenses at year-end.

J. 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 government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

K. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at acquisition values as of the date received. The School District maintains a capitalization threshold of \$ 2,500. The School 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 capitalized. The majority of capital outlay is made from the Permanent Improvements Fund. Actual amounts capitalized for reporting purposes may differ due to the capitalization policy.

All reported capital assets, other than 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:

Asset	Estimated Useful life
Land improvements	25 - 30 years
Buildings	60 - 80 years
Building improvements	25 years
Furniture and equipment	5 - 15 years
Vehicles	10 - 15 years

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net position.

M. COMPENSATED ABSENCES

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

Sick leave benefits are accrued in the government wide financial statements as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. 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, 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

O. NET POSITION

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include money for scholarships and data communications support. The government-wide statement of net position reports \$ 8,489,762 of restricted net position, none of which are restricted by enabling legislation.

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

R. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability/(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.

S. INTERFUND TRANSACTIONS

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

T. ESTIMATES

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

U. 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 2021.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A. CHANGE IN ACCOUNTING PRINCIPLES

For 2021, the School District implemented GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and one fund will be reported in the new fiduciary fund classification of custodial funds while the other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

For 2021, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations, Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and Statement No. 90, majority Equity Interests – an amendment of GASB Statements No. 14 and No.61.

GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position.

GASB 90 improves the consistency in the measurement and comparability of the financial presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position.

B. RESTATEMENT OF NET POSITION

Net position of governmental activities at June 30, 2020 has been restated for the implementation of GASB Statement 84. The effect of the restatement is as follows:

	Governmental Activities
Net position June 30, 2020	\$ (36,337,301)
Adjustments:	
GASB 84	112,655
Restated net position June 30, 2020	\$ (36,224,646)

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE (continued)

C. RESTATEMENT OF FUND BALANCE

The implementation of GASB Statement 84 had the following effect on fund balances of governmental funds and fiduciary net position as of June 30, 2020:

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balance, June 30, 2020	\$ 11,181,771	\$ 3,385,439	\$ 4,788,767	\$ 19,355,977
Adjustments:				
GASB 84	-	-	112,655	112,655
Restated fund balance June 30, 2020	<u>\$ 11,181,771</u>	<u>\$ 3,385,439</u>	<u>\$ 4,901,422</u>	<u>\$ 19,468,632</u>

	Agency Fund
Net position June 30, 2020	\$ -
Adjustments:	
Assets	112,655
Liabilities	(112,655)
Restated net position June 30, 2020	<u>\$ -</u>

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual 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 GAAP basis statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis)

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (1,307,509)
Adjustments, increase (decrease)	
Revenue accruals	(151,560)
Expenditure accruals	830,410
Funds budgeted elsewhere **	632,360
Encumbrances	(730,687)
GAAP basis, as reported	\$ (726,986)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

Fund balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Restricted				
Food service operations	\$ -	\$ -	\$ 262,105	\$ 262,105
Classroom facilities and maintenance	-	-	2,281,928	2,281,928
Athletics	-	-	161,636	161,636
Non-public schools	-	-	4,906	4,906
Student activities	-	-	112,277	112,277
Student wellness	-	-	486,620	486,620
Other	-	-	19,877	19,877
Debt service	-	3,715,939	-	3,715,939
Capital improvements	-	-	1,319,920	1,319,920
Total restricted	-	3,715,939	4,649,269	8,365,208
Committed				
27th pay reserve	264,000	-	-	264,000
Other purposes	223,073	-	-	223,073
Total committed	487,073	-	-	487,073
Assigned				
Unclaimed funds	6,142	-	-	6,142
Student instruction	345,984	-	-	345,984
Student and staff support	874,486	-	-	874,486
Termination benefits	392,597	-	-	392,597
Other	235,681	-	-	235,681
Total assigned	1,854,890	-	-	1,854,890
Unassigned (deficit)	8,112,822	-	(167,735)	7,945,087
Total fund balances	\$ 10,454,785	\$ 3,715,939	\$ 4,481,534	\$ 18,652,258

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the School District's deposits was \$ 7,055,092 and the bank balance was \$ 7,522,811. Of the bank balance, \$ 6,692,923 was covered by federal depository insurance and \$ 829,888 was uninsured. Of the remaining balance \$ 829,888 was collateralized with securities held by the pledging institution's trust department not in the School District's name.

At fiscal year end, the School District had \$ 3,392 in cash on hand which is included on the balance sheet of the School District as part of "Equity in pooled cash".

C. INVESTMENTS

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

	Fair Value	Investment Maturities	
		Less than 1 year	1 - 2 years
STAR Ohio	\$ 3,694,364	\$ 3,694,364	\$ -
Money market	4,213,619	4,213,619	-
Commercial paper	6,461,244	6,461,244	-
Municipal bonds	275,000	-	275,000
Federal Agency Notes and Discount Notes	6,105,517	2,466,709	3,638,808
	<u>\$ 20,749,744</u>	<u>\$ 16,835,936</u>	<u>\$ 3,913,808</u>

The School 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. The above table identifies the School District's recurring fair value measurements as of June 30, 2021. As discussed further in Note 1G, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

E. CREDIT RISK

The School District follows the Ohio Revised Code that limits its investment choices as discussed in Note 5 - A above. STAR Ohio carries a rating of AAAM by Standard and Poor's and is an authorized investment under the Ohio Revised Code. Commercial paper of \$ 4,570,105 and \$ 1,891,139 carries a rating of A-1 and A-1+, respectively, by Standard and Poor's. The Federal agency notes and the Federal agency discount notes are rated Aaa by Moody's. The Municipal bonds are rated Aa2 by Moody's.

F. CONCENTRATION OF CREDIT RISK

The School 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, 2021:

	Fair Value	Percentage of Investments
STAR Ohio	\$ 3,694,364	17.80%
Money Market	4,213,619	20.31%
Commercial paper	6,461,244	31.14%
Municipal bonds	275,000	1.33%
Federal Agency Notes and Discount Notes	6,105,517	29.42%
	\$ 20,749,744	100.00%

G. CUSTODIAL CREDIT RISK

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School 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.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2021 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2021, was \$ 2,708,299 in the General Fund, \$ 28,261 in the Classroom Facilities Fund, \$ 289,368 in the Debt Service Fund and \$ 46,110 in the Permanent Improvements Fund. The amount available as an advance at June 30, 2020, was \$ 1,693,450 in the General Fund, \$ 202,522 in the Debt Service Fund and \$ 46,501 in the Permanent Improvements Fund.

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

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

	2020 First Half Collections		2021 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 589,778,160	68.86 %	\$ 590,015,700	69.16 %
Other Commercial	246,945,320	28.83	242,266,970	28.40
Public Utility Tangible	19,820,500	2.31	20,844,650	2.44
	<u>\$ 856,543,980</u>	<u>100.00 %</u>	<u>\$ 853,127,320</u>	<u>100.00 %</u>
 Tax Rate per \$ 1,000 of Assessed Valuation:	 <u>\$ 97.10</u>		 <u>\$ 96.50</u>	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2021, consisted of property taxes, accounts, interfund and due from other governments. All receivables are considered substantially 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. All receivables are expected to be collected within one year.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

Governmental Activities	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
Nondepreciable capital assets				
Land	\$ 1,504,554	\$ -	\$ -	\$ 1,504,554
Total nondepreciable capital assets	<u>1,504,554</u>	<u>-</u>	<u>-</u>	<u>1,504,554</u>
Depreciable capital assets				
Land improvements	12,456,682	-	-	12,456,682
Buildings and improvements	83,712,330	1,745,106	-	85,457,436
Furniture and equipment	10,607,427	117,709	25,701	10,699,435
Vehicles	3,333,639	207,737	-	3,541,376
Total capital assets being depreciated	<u>110,110,078</u>	<u>2,070,552</u>	<u>25,701</u>	<u>112,154,929</u>
Less accumulated depreciation				
Land improvements	1,069,627	483,454	-	1,553,081
Buildings and improvements	10,084,311	1,461,688	-	11,545,999
Furniture and equipment	2,978,096	1,619,997	17,677	4,580,416
Vehicles	1,966,309	256,794	-	2,223,103
Total accumulated depreciation	<u>16,098,343</u>	<u>3,821,933</u>	<u>17,677</u>	<u>19,902,599</u>
Depreciable capital assets, net of accumulated depreciation	<u>94,011,735</u>	<u>(1,751,381)</u>	<u>8,024</u>	<u>92,252,330</u>
Governmental activities capital assets, net	<u>\$ 95,516,289</u>	<u>\$ (1,751,381)</u>	<u>\$ 8,024</u>	<u>\$ 93,756,884</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 2,304,135
Special	13,944
Supporting services	
Pupil	1,990
Instructional staff	15,591
Administration	141,330
Business	59,917
Operation and maintenance of plant	539,774
Pupil transportation	228,304
Central services	4,323
Operation of non-instructional services	
Food service	76,984
Auxiliary services	3,254
Extracurricular activities	432,387
Total depreciation expense	<u>\$ 3,821,933</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 – RETIREMENT INCENTIVE PLAN

The School District offered an employee severance plan during the 2020-2021 school year. In order for employees to be eligible to participate, they needed to retire with STRS/SERS, make \$95,000 or more, or have ten years or more years of service with the School District. The employee did not have to retire, they could resign, however they needed to do so by June 30, 2021 or July 31, 2021 depending on their classification. Employees who elected to participate in the plan will receive payments into a School District sponsored 403-B plan as an employer contribution. The payments will begin 60 days after their service ended and will be spread equally over five years. Employees who retired would receive their severance this same way. Employees who resigned were not eligible for severance. The School District worked with a third-party administrator to facilitate this plan. The School District will fund these payments over the next three years to the third-party administrator, even though employees are receiving the payments over five years. As of June 30, 2021 the School District's liability related to this retirement incentive plan was \$ 1,430,352.

NOTE 10 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with Liberty Mutual Insurance for property, liability and auto insurance. General liability coverage is \$ 1 million per occurrence, \$ 2 million aggregate with a \$ 5 million supplemental umbrella policy. Automobile liability coverage is \$ 1 million for each occurrence with a \$ 5 million supplemental umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from prior years. Position bonds of \$ 75,000 are maintained for the Superintendent and Board President and \$ 100,000 for the Treasurer from Ohio Casualty Insurance Company. The School District provides life insurance, disability and accidental death and dismemberment insurance to its employees, through Unum Life Insurance Company.

B. WORKERS' COMPENSATION

The School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRRP. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - RISK MANAGEMENT (continued)

C. EMPLOYEE MEDICAL BENEFITS

The School District provides employee medical, surgical, prescription drug and dental benefits through a self-insurance program administered by Medical Mutual of Ohio. The School District limits its liability for medical and surgical claims by maintaining a specific stop-loss threshold of \$ 125,000.

The claim liability of \$ 916,500 reported at June 30, 2021 was estimated by Medical Mutual of Ohio and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2021 and 2020 are summarized below. Incurred claims and claims payments are not segregated between current and prior years' claims due to the impracticability of obtaining such information.

	June 30, 2021	June 30, 2020
Unpaid claims, beginning of year	\$ 537,800	\$ 651,900
Incurred claims	9,185,918	8,215,770
Claims payments	(8,807,218)	(8,329,870)
Unpaid claims, end of year	\$ 916,500	\$ 537,800

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. 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 School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension 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.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A. NET PENSION LIABILITY (continued)

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – School 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent and none was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$ 1,292,910 for fiscal year 2021. Of this amount \$ 54,535, is reported as an intergovernmental payable.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least 10 years of qualifying service credit to apply for disability benefits.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations.

The School District's contractually required contribution to STRS was \$ 3,951,725 for fiscal year 2021. Of this amount \$ 631,567 is reported as an intergovernmental payable.

D. 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 16,861,647	\$ 56,404,417	\$ 73,266,064
Pension expense	\$ 1,283,546	\$ 6,162,298	\$ 7,445,844
Proportion of the net pension liability prior measurement date	0.26082080%	0.23928559%	
Proportion of the net pension liability current measurement date	<u>0.25493060%</u>	<u>0.23311038%</u>	
	<u>-0.00589020%</u>	<u>-0.00617521%</u>	

At June 30, 2021, the School 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 32,753	\$ 126,557	\$ 159,310
Net difference between projected and actual earnings on pension plan investments	1,070,373	2,742,953	3,813,326
Changes in assumptions	-	3,027,828	3,027,828
Changes in proportionate share and difference between School District contributions and proportionated share of contributions	-	31,471	31,471
School District contributions subsequent to the measurement date	1,292,910	3,951,725	5,244,635
Total deferred outflows of resources	<u>\$ 2,396,036</u>	<u>\$ 9,880,534</u>	<u>\$ 12,276,570</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 360,668	\$ 360,668
Changes in proportionate share and difference between School District contributions and proportionated share of contributions	476,807	2,530,940	3,007,747
Total deferred inflows of resources	<u>\$ 476,807</u>	<u>\$ 2,891,608</u>	<u>\$ 3,368,415</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

\$ 5,244,635 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (360,206)	\$ 987,352	\$ 627,146
2023	205,251	(11,505)	193,746
2024	446,155	1,104,057	1,550,212
2025	335,119	957,297	1,292,416
	\$ 626,319	\$ 3,037,201	\$ 3,663,520

E. 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.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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

Actuarial cost method	Entry age normal (Level Percent of Payroll)
Investment rate of return	7.50 percent of net of investments expense, including inflation
COLA or Ad Hoc COLA	2.50 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Inflation	3.00 percent

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 disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged 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	2.00%	1.85%
U.S. stocks	22.50%	5.75%
Non-U.S. stocks	22.50%	6.50%
Fixed income	19.00%	2.85%
Private equity	12.00%	7.60%
Real assets	17.00%	6.60%
Multi-asset strategies	5.00%	6.65%
	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. 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 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 23,098,397	\$ 16,861,647	\$ 11,628,895

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Cost of living adjustments (COLA)	0 percent

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

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

<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%
	<u>100.00%</u>	

* The 10-Year annualized 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 Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	<u>\$ 80,310,071</u>	<u>\$ 56,404,417</u>	<u>\$ 36,146,367</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS

A. 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 School 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.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School 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.

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

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, 0 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$ 23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$ 171,633.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$ 171,633 for fiscal year 2021, all of which is reported as an intergovernmental payable.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

D. 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, 2020, 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 School District's proportion of the net OPEB liability/(asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the net OPEB liability			
Prior measurement date	0.26787420%	0.23928559%	
Current measurement date	<u>0.26412480%</u>	<u>0.23311038%</u>	
Change in proportionate share	<u>-0.00374940%</u>	<u>-0.00617521%</u>	
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net OPEB liability/(asset)	\$ 5,740,296	\$ (4,096,910)	\$ 1,643,386
OPEB expense	\$ (171,727)	\$ (304,684)	\$ (476,411)

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES/(ASSET), OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

At June 30, 2021, the School 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 75,393	\$ 262,513	\$ 337,906
Change in assumptions	978,521	67,629	1,046,150
Net difference between projected and actual earnings on OPEB plan investments	64,680	143,583	208,263
Changes in proportionate share and differences between School District contributions and proportionate share of contributions	571	39,137	39,708
School District contributions subsequent to the measurement date	171,633	-	171,633
Total deferred outflows of resources	<u>\$ 1,290,798</u>	<u>\$ 512,862</u>	<u>\$ 1,803,660</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 2,919,342	\$ 816,047	\$ 3,735,389
Change in assumptions	144,585	3,891,382	4,035,967
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	264,859	305,146	570,005
Total deferred inflows of resources	<u>\$ 3,328,786</u>	<u>\$ 5,012,575</u>	<u>\$ 8,341,361</u>

\$ 171,633 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
June 30:	SERS	STRS	Total
2022	\$ (448,278)	\$ (1,119,027)	\$ (1,567,305)
2023	(443,598)	(1,021,841)	(1,465,439)
2024	(444,359)	(987,748)	(1,432,107)
2025	(438,243)	(979,729)	(1,417,972)
2026	(325,987)	(191,964)	(517,951)
2027	(109,156)	(199,404)	(308,560)
	<u>\$ (2,209,621)</u>	<u>\$ (4,499,713)</u>	<u>\$ (6,709,334)</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

E. 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.

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

Inflation	3.00 percent
Wage increases	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent of net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	2.45 percent
Prior measurement date	3.13 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	3.22 percent
Measurement date	2.63 percent
Medical trend assumptions	
Pre-medicare	7.00 to 4.75 percent
Medicare	5.25 to 4.75 percent

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

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

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
U.S. stocks	22.50%	5.75%
Non-U.S. stocks	22.50%	6.50%
Fixed income	19.00%	2.85%
Private equity	12.00%	7.60%
Real assets	17.00%	6.60%
Multi-asset strategies	5.00%	6.65%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent 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 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. 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.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). 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 (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$ 7,025,980	\$ 5,740,296	\$ 4,718,180

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 4,520,047	\$ 5,740,296	\$ 7,372,082

F. ACTUARIAL ASSUMPTIONS – STRS

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

Salary increases	12.50 percent at age 20 to 2.50% at age 65	
Payroll increases	3.00 percent	
Investment rate of return	7.45 percent, net of investment expenses, including inflation	
Discount rate of return	7.45 percent	
Health care cost trends	Initial	Ultimate
Medical		
Pre-medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription drug		
Pre-medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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%
	100.00%	

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

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate 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 not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School 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 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$ 3,564,579	\$ 4,096,910	\$ 4,548,576
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 4,520,539	\$ 4,096,910	\$ 3,580,869

Changes in benefit terms and funding terms – There was no change to the claims cost process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non- Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions – There were no changes in assumptions since the prior measurement date.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 13 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issuance and date of maturity for each of the School District's bond obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
Energy conservation	2013	1.95%	\$ 3,315,000	2025
School Facilities Improvement Series A	2015	.8% - 3.00%	\$ 8,577,000	2018
School Facilities Improvement Series B	2015	1.5% - 5.0%	\$ 72,000,000	2049
Refunding bonds	2017	2.0% - 30.0%	\$ 48,273,668	2028

The energy conservation bonds issued in 2013 were for the installation, modification and remodeling of school buildings to conserve energy. The school facilities improvement bonds issued in 2015 are for construction a new middle school building and a new high school building.

Changes in the School District's long-term obligations during fiscal year 2021 were as follows:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due In One Year
General obligation bonds					
Energy conservation	\$ 1,480,000	\$ -	\$ 285,000	\$ 1,195,000	\$ 290,000
Facilities improvements	21,660,000	-	1,010,000	20,650,000	1,025,000
Refunding bonds					
Term and serial bonds	46,495,000	-	450,000	46,045,000	455,000
Capital appreciation bonds	768,668	-	-	768,668	-
Accretion on capital appreciation bonds	784,363	500,850	-	1,285,213	-
Total general obligation bonds	<u>71,188,031</u>	<u>500,850</u>	<u>1,745,000</u>	<u>69,943,881</u>	<u>1,770,000</u>
Unamortized bond premium	<u>7,369,866</u>	<u>-</u>	<u>253,711</u>	<u>7,116,155</u>	<u>-</u>
Net pension liability					
STRS	52,916,570	3,487,847	-	56,404,417	-
SERS	15,605,366	1,256,281	-	16,861,647	-
Total net pension liability	<u>68,521,936</u>	<u>4,744,128</u>	<u>-</u>	<u>73,266,064</u>	<u>-</u>
Net OPEB liability					
SERS	6,736,473	-	996,177	5,740,296	-
Total net OPEB liability	<u>6,736,473</u>	<u>-</u>	<u>996,177</u>	<u>5,740,296</u>	<u>-</u>
Compensated absences	6,509,792	2,577,435	475,390	8,611,837	905,275
Total long-term obligations	<u>\$ 160,326,098</u>	<u>\$ 7,822,413</u>	<u>\$ 3,470,278</u>	<u>\$ 164,678,233</u>	<u>\$ 2,675,275</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Bonds payable are repaid from the Debt Service Fund. The capital lease obligation is paid from the General Fund. The government pays obligations related to employee compensation from the fund benefitting from their service.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension and net OPEB liability see Note 11 and 12.

Principal and interest requirements to retire the general obligation bonds payable outstanding at June 30, 2021, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2022	\$ 1,770,000	\$ 2,554,563	\$ 4,324,563
2023	1,885,000	2,501,377	4,386,377
2024	1,540,587	2,848,308	4,388,895
2025	547,947	3,855,627	4,403,574
2026	187,004	3,968,546	4,155,550
2027 - 2031	5,638,130	15,183,319	20,821,449
2032 - 2036	11,310,000	10,035,750	21,345,750
2037 - 2041	14,315,000	7,460,168	21,775,168
2042 - 2046	18,165,000	4,343,670	22,508,670
2047 - 2049	13,300,000	812,000	14,112,000
Totals	<u>\$ 68,658,668</u>	<u>\$ 53,563,328</u>	<u>\$ 122,221,996</u>

NOTE 14 - DEFEASANCE OF DEBT

In December 2017 the School District issued \$ 48,273,668 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$ 48,275,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. As of June 30, 2021, \$ 48,275,000 of bonds payable are considered to be defeased.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

A. NORTHERN BUCKEYE EDUCATION COUNCIL

The Northern Buckeye Education Council (the "Council") is a 40 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for profit Council of Governments and is directed by a thirteen member Board of Directors. The purpose of the Council is to provide educational entities in greater northwestern Ohio access to a variety of cooperative administrative services thereby reducing the cost of obtaining these services. Currently the Council provides data processing and internet access services through its Northwest Ohio Computer Association (NWOCA) subsidiary; assists in the preparation of financial reports and offers in-service training sessions to employees of its member entities.

Financial information can be obtained by contacting the Council at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502. During the year ended June 30, 2021, the School District paid \$ 217,889 to the Council.

B. POLARIS CAREER CENTER

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. North Olmsted City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by contacting the Polaris Career Center, 7285 Old Oak Blvd., Middleburg Heights, Ohio 44130.

C. NORTH OLMSTED CITY SCHOOLS EDUCATION FOUNDATION

The North Olmsted City Schools Education Foundation (Foundation) is a jointly governed organization established by the Ohio Revised Code to support and enhance educational opportunities for the youth of the North Olmsted Community. The trustees of the Foundation consist of five ex officio trustees and up to fifteen members selected by a nominating committee appointed by the ex officio trustees.

The ex officio trustees are composed of the following individuals: the Superintendent of the North Olmsted City School District, a member of the North Olmsted Board of Education, a member of the North Olmsted PTA Council, a member of the North Olmsted City Schools' Financial Advisory Board, and a member of the Community Education Advisory Board. All trustees are voting members. The Foundation is responsible for approving its own budgets, appointing personnel, creation of committees, and accounting and financial related activities. Financial information can be obtained by contacting the Foundation treasurer, c/o The North Olmsted Board of Education, 26669 Butternut Ridge Road, North Olmsted, Ohio 44070.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 - JOINTLY GOVERNED ORGANIZATION (continued)

D OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 249 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2020, the School District paid \$ 3,174 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager for the period from July 1, 2018 through June 30, 2021. There are currently over 160 participants in the program, including the North Olmsted City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimate.

NOTE 16 – CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, rather than a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow, will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. The impact of enrollment adjustments to the June 30, 2021 Foundation funding for the School District was immaterial to the financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 17 - SET-ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for 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 year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District has set aside money for budget stabilization. The following cash basis information identifies the changes in the fund balance reserves for capital improvements and budget stabilization during fiscal year 2021.

	Capital Maintenance	Budget Stabilization
Set-aside reserve balances as of June 30, 2020	\$ -	\$ 223,073
Set-aside balance carried forward	-	-
Current year set-aside requirement	662,786	-
Qualifying offsets	(757,489)	-
Total	\$ (94,703)	\$ 223,073
 Set-aside balance carried forward to future fiscal years	 \$ -	 \$ -

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for capital maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years.

NOTE 18 – COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements are the following deficit fund balances.

Special Revenue Funds:	
Title VIB	\$ 14,278
Limited English Proficiency	\$ 2,643
Title I	\$ 128,619
Title II-A	\$ 2,947
Miscellaneous Federal Grants	\$ 8,592
CRF	\$ 10,656

These deficits resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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 ensuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of the individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net pension liability	0.2549306%	0.2608208%	0.2751357%	0.2754275%
School District's proportionate share of the net pension liability	\$ 16,861,647	\$ 15,605,366	\$ 15,757,531	\$ 16,456,185
School District's covered payroll	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674	\$ 8,148,014
School District's proportionate share of the net pension liability as a percentage of its covered payroll	217.72%	178.40%	181.92%	201.97%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2013 is not available

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

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.2836686%	0.2851012%	0.2982690%	0.2982690%
\$ 20,761,924	\$ 16,268,151	\$ 15,095,224	\$ 17,737,100
\$ 7,323,529	\$ 8,244,609	8,191,847	6,744,335
283.50%	211.57%	184.27%	262.99%
62.98%	69.16%	71.70%	65.52%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net pension liability	0.23311038%	0.23928559%	0.24308821%	0.25480111%
School District's proportionate share of the net pension liability	\$ 56,404,417	\$ 52,916,570	\$ 53,449,639	\$ 60,528,550
School District's covered payroll	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250	\$ 25,778,279
School District's proportionate share of the net pension liability as a percentage of its covered payroll	207.58%	190.26%	195.45%	234.80%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	77.40%	77.31%	75.30%

(1) Information prior to 2013 is not available

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

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.25309363%	0.25519910%	0.250795%	0.250795%
\$ 84,718,067	\$ 70,529,568	\$ 61,002,024	\$ 72,665,211
\$ 26,978,250	\$ 26,704,226	\$ 26,541,248	\$ 24,369,023
314.02%	264.11%	229.84%	298.19%
66.80%	72.10%	74.70%	69.30%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Contractually required contribution	\$ 1,292,910	\$ 1,084,258	\$ 1,180,576	\$ 1,169,326
Contributions in relation to the contractually required contribution	<u>(1,292,910)</u>	<u>(1,084,258)</u>	<u>(1,180,576)</u>	<u>(1,169,326)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,140,722	\$ 1,025,294	\$ 1,084,003	\$ 1,135,390	\$ 933,416	\$ 1,053,712
<u>(1,140,722)</u>	<u>(1,025,294)</u>	<u>(1,084,003)</u>	<u>(1,135,390)</u>	<u>(933,416)</u>	<u>(1,053,712)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,148,014	\$ 7,323,529	\$ 8,224,609	\$ 8,191,847	\$ 6,744,335	\$ 7,834,290
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 3,951,725	\$ 3,804,182	\$ 3,893,720	\$ 3,828,615
Contributions in relation to the contractually required contribution	<u>(3,951,725)</u>	<u>(3,804,182)</u>	<u>(3,893,720)</u>	<u>(3,828,615)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>\$ 3,608,959</u>	<u>\$ 3,776,955</u>	<u>\$ 3,738,592</u>	<u>\$ 3,400,109</u>	<u>\$ 3,167,973</u>	<u>\$ 3,433,177</u>
<u>(3,608,959)</u>	<u>(3,776,955)</u>	<u>(3,738,592)</u>	<u>(3,400,109)</u>	<u>(3,167,973)</u>	<u>(3,433,177)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 25,778,279</u>	<u>\$ 26,978,250</u>	<u>\$ 26,704,226</u>	<u>\$ 26,154,685</u>	<u>\$ 24,369,023</u>	<u>\$ 26,409,054</u>
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY / ASSET
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST FIVE FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	0.2641248%	0.2678742%	0.2791138%	0.2796474%
School District's proportionate share of the net OPEB liability	\$ 5,740,296	\$ 6,736,473	\$ 7,743,371	\$ 7,505,001
School District's covered payroll	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674	\$ 8,148,014
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.12%	77.03%	89.40%	92.11%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%

(1) Information prior to 2016 is not available. This 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 School District's measurement date which is the prior year end.

See accompanying notes to required supplementary information.

2017
0.2878318%

\$ 8,204,271

\$ 7,323,529

112.03%

11.49%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS (1)

	2021	2020	2019	2018
School District's proportion of the net OPEB liability/asset	0.23311038%	0.23928559%	0.24308821%	0.25480110%
School District's proportionate share of the net OPEB liability (asset)	\$ (4,096,910)	\$ (3,963,144)	\$ (3,906,180)	\$ 9,941,399
School District's covered payroll	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250	\$ 25,778,279
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-15.08%	-14.25%	-14.28%	38.57%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	182.10%	174.74%	176.00%	47.10%

(1) Information prior to 2016 is not available. This 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 School District's measurement date
which is the prior year end.

See accompanying notes to required supplementary information.

2017

0.25309360%

\$ 13,535,512

\$ 26,978,250

50.17%

37.30%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (1)	\$ 171,633	\$ 172,566	\$ 209,965	\$ 194,047
Contributions in relation to the contractually required contribution	<u>(171,633)</u>	<u>(172,566)</u>	<u>(209,965)</u>	<u>(194,047)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674
OPEB contributions as a percentage of covered payroll	1.86%	2.23%	2.40%	2.24%

(1) Includes Surcharge

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 153,117	\$ 147,209	\$ 67,442	\$ 164,260	\$ 201,617	\$ 149,025
<u>(153,117)</u>	<u>(147,209)</u>	<u>(67,442)</u>	<u>(164,260)</u>	<u>(201,617)</u>	<u>(149,025)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,148,014	\$ 7,323,529	\$ 8,224,609	\$ 8,191,847	\$ 6,744,335	\$ 7,834,290
1.88%	2.01%	0.82%	2.01%	2.99%	1.90%

NORTH OLMSTED CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ 267,042	\$ 261,547	\$ 243,690	\$ 264,091
<u>-</u>	<u>-</u>	<u>(267,042)</u>	<u>(261,547)</u>	<u>(243,690)</u>	<u>(264,091)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,778,279	\$ 26,978,250	\$ 26,704,226	\$ 26,154,685	\$ 24,369,023	\$ 26,409,054
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - PENSION

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms – Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3 percent of their base benefit on the anniversary of their initial date of retirement. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent, nor greater than 2.5 percent. COLAs are suspended for calendar years 2018, 2019, and 2020. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

Changes in assumptions – The COLA was changed from a fixed 3.00 percent to a COLA that is indexed to CPI-W not greater than 2.50 percent with a floor of 0.0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB49, the Board has enacted a three year COLA delay for benefit recipients in calendar years 2018, 2019 and 2020.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefits terms - Effective July 1, 2017, the COLA was reduced to zero.

Changes in assumptions - There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2018. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NOTE 2 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms and funding terms – There have been no changes to the benefit provisions.

Changes in assumptions – Medical trend rates have been adjusted to reflect premium decreases.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms and funding terms – There was no change to the claims cost process. Claim curves were trended to the fiscal year ending Jun 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021 to 2.1 percent 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 assumptions since the prior measurement date.

**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR		Federal	Pass Through		
Pass Through Grantor		AL	Entity Identifying		Non-Cash
Program / Cluster Title	Grant Year	Number	Number	Expenditures	Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education					
Nutrition Cluster					
School Breakfast Program	2021	10.553		\$ 234,841	
COVID19 - School Breakfast Program	2021	10.553		76,379	
National School Lunch Program	2021	10.555		668,439	\$ 81,511
COVID19 - National School Lunch Program	2021	10.555		113,477	
Total Nutrition Cluster				<u>1,093,136</u>	<u>81,511</u>
Total U.S. Department of Agriculture				<u>1,093,136</u>	<u>81,511</u>
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education					
Title I	2021	84.010		593,541	
Title I	2020	84.010		106,794	
Total Title I				<u>700,335</u>	<u>-</u>
Special Education Cluster					
IDEA Part B	2021	84.027		694,637	
IDEA Part B	2020	84.027		61,689	
Subtotal IDEA Part B				<u>756,326</u>	<u>-</u>
Preschool Grant	2021	84.173		16,234	
Preschool Grant	2020	84.173		3,353	
Subtotal Preschool Grant				<u>19,587</u>	<u>-</u>
Total Special Education Cluster				<u>775,913</u>	<u>-</u>
Title III English Language Acquisition	2021	84.365		28,931	
Title III English Language Acquisition	2020	84.365		6,117	
Total Title III English Language Acquisition				<u>35,048</u>	<u>-</u>
Title II-A Supporting Effective Instruction	2021	84.367		148,688	
Title II-A Supporting Effective Instruction	2020	84.367		14,745	
Total Title II-A Supporting Effective Instruction				<u>163,433</u>	<u>-</u>
Title IV-A Student Support and Academic Enrichment Program	2021	84.424		16,238	
Title IV-A Student Support and Academic Enrichment Program	2020	84.424		90,012	
Total Title II-A Supporting Effective Instruction				<u>106,250</u>	<u>-</u>
COVID-19 Emergency Relief Education Stabilization Fund	2021	84.425D		605,173	
COVID-19 Emergency Relief Education Stabilization Fund II	2022	84.425D		2,189,259	
Total Emergency Relief				<u>2,794,432</u>	<u>-</u>
COVID19 - Coronavirus Relief Fund	2021	21.019		188,000	
COVID19 - CRF Broadband Connectivity	2021	21.019		18,717	
Total Coronavirus Relief				<u>206,717</u>	<u>-</u>
Total U.S. Department of Education				<u>4,782,128</u>	<u>-</u>
Total Federal Financial Assistance				<u>\$ 5,875,264</u>	<u>\$ 81,511</u>

The accompanying notes are an integral part of this schedule.

**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Olmsted City School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

North Olmsted City School District
Cuyahoga County
26669 Butternut Ridge Road
North Olmsted, Ohio 44070

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Olmsted City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 3, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

North Olmsted City School District
Cuyahoga County
26669 Butternut Ridge Road
North Olmsted, Ohio 44070

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited North Olmsted City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect North Olmsted City School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, North Olmsted City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 3, 2022

**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL #84.425D - Elementary and Secondary School Emergency Relief Fund I and II <u>Child Nutrition Cluster:</u> AL #10.553 – School Breakfast Program; AL #10.555 – School Lunch Program;
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



NORTH OLMSTED CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/17/2022

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This report is a matter of public record and is available online at
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