



OHIO AUDITOR OF STATE
KEITH FABER



**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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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 Audit of the Financial Statements

Opinions

We have audited 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, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Olmsted City School District, Cuyahoga County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2023

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North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

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, 2022. 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 2022 are as follows:

Net position increased \$ 5,618,534 from the previous year.

The General Fund has a strong unrestricted cash balance of \$ 14.1 million at June 30, 2022, compared to \$16.5 million at June 30, 2021.

Revenues for governmental activities totaled \$ 69.1 million in fiscal year 2022 as compared to \$ 69.3 in 2021.

In fiscal year 2022, 89.8 percent of total revenue consisted of general revenues while program revenues accounted for the remaining balance of 10.2 percent.

At June 30, 2022, the Debt Service Fund had a cash balance of \$ 4.1 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, 2022

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 2022 compared to 2021.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

TABLE I
Total Net Position

	2022	Restated 2021
Assets		
Current and other assets	\$ 73,678,559	\$ 73,966,418
Net OPEB asset	4,842,867	4,096,910
Total capital assets, net	<u>90,129,902</u>	<u>93,730,266</u>
Total assets	<u>168,651,328</u>	<u>171,793,594</u>
Deferred outflows of resources		
Deferred charge on refunding	1,704,104	1,779,842
Pension	14,457,505	12,276,570
OPEB	1,484,655	1,803,660
Total deferred outflows of resources	<u>17,646,264</u>	<u>15,860,072</u>
Liabilities		
Current liabilities	9,469,281	9,793,217
Long term liabilities		
Due within one year	2,931,257	2,705,043
Due in more than one year		
Net pension liability	38,714,537	73,266,064
OPEB	4,957,155	5,740,296
Other amounts	82,134,869	83,067,044
Total liabilities	<u>138,207,099</u>	<u>174,571,664</u>
Deferred inflows of resources		
Property taxes levied for next year	40,715,008	41,416,715
Pension	32,959,350	3,368,415
OPEB	8,842,090	8,341,361
Total deferred inflows of resources	<u>82,516,448</u>	<u>53,126,491</u>
Net position		
Net investment in capital assets	18,025,399	21,354,903
Restricted	15,383,737	8,489,762
Unrestricted	(67,835,091)	(69,889,154)
Total net position	<u>\$ (34,425,955)</u>	<u>\$ (40,044,489)</u>

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The net pension and OPEB liability are the largest liabilities reported by the School District at June 30, 2022 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, 2022

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 \$ 3,142,266. This decrease can primarily be attributed to decreases of \$ 3,600,364 in capital assets and \$ 912,086 in taxes receivable.

Total liabilities decreased by \$ 36,364,565. This decrease is primarily due to a decrease of \$ 34,551,527 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 improved as evidenced by the increase in net position of \$ 5,618,534. 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, 2022

Governmental Activities

Table 2 summarizes the revenue, expenses and changes in net position for fiscal years 2022 compared to 2021.

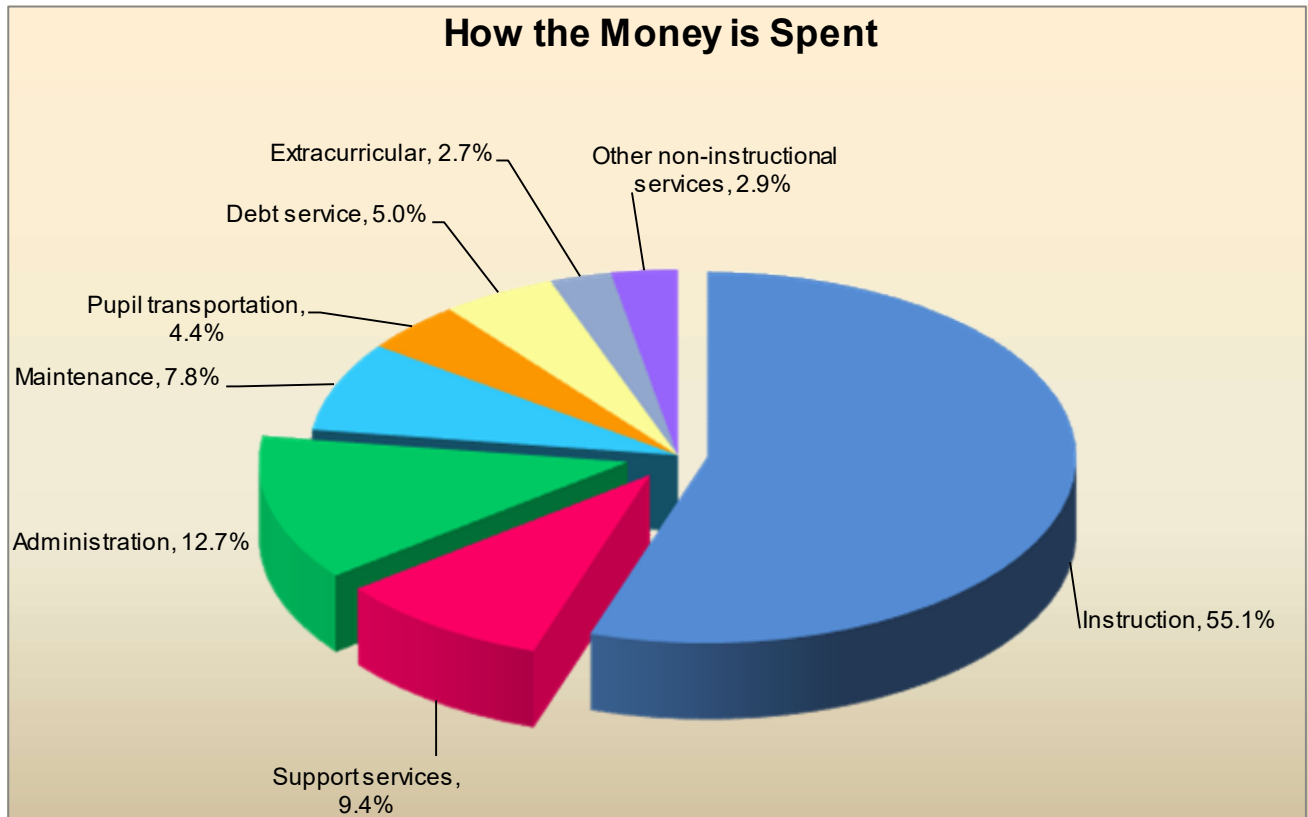
Table 2
Changes in Net Position

	2022	Restated 2021
Revenues		
Program revenues		
Charges for services and sales	\$ 1,263,587	\$ 788,860
Operating grants, interest and contributions	5,774,460	6,787,158
Total program revenues	<u>7,038,047</u>	<u>7,576,018</u>
General revenues		
Property taxes	45,729,443	45,572,727
Payments in lieu of taxes	1,721,246	1,487,434
Grants and entitlements not restricted to specific purposes	14,157,856	13,976,787
Investment earnings	165,281	200,365
Miscellaneous	242,327	489,563
Total general revenues	<u>62,016,153</u>	<u>61,726,876</u>
Total revenues	<u>69,054,200</u>	<u>69,302,894</u>
Program expenses		
Instruction	34,937,397	40,860,622
Supporting services		
Pupil and instructional staff	5,967,327	7,574,056
Board of education, administration, fiscal services and business	8,066,444	8,711,319
Operation and maintenance	4,306,793	4,905,806
Pupil transportation	2,805,724	3,382,515
Central services	632,134	1,214,268
Operation of non-instructional services	1,847,963	1,559,261
Extracurricular activities	1,699,184	1,863,048
Interest and fiscal charges	3,172,700	2,925,010
Total expenses	<u>63,435,666</u>	<u>72,995,905</u>
Decrease in net position	5,618,534	(3,693,011)
Net position at beginning of year, restated	(40,044,489)	(36,351,478)
Net position at end of year	<u>\$ (34,425,955)</u>	<u>\$ (40,044,489)</u>

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The vast majority of revenues supporting all Governmental Activities are general revenues. General revenue totaled \$ 62.0 million or 89.8 percent of the total revenue. The most significant portion of the general revenues is local property tax. The remaining amount of revenue received is in the form of program revenues amounting to \$ 7.0 million or 10.2 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 decreased by \$ 9,560,239, primarily as a result of the decrease in pension expense of \$ 9,382,171. Approximately 64.5 percent of the School District's budget is used to fund instructional and direct classroom support service expenses while only 12.7 percent of the budget is spent on administrative expenses. The remaining 22.8 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, 2022

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 \$ 17,180. 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, 2022
 (the most recent data available)

School District	Cost per Pupil
Bay Village	\$ 15,467
Berea	15,629
Fairview Park	15,426
Lakewood	18,894
North Olmsted	17,180
Rocky River	16,234
Strongsville	14,441
Westlake	16,426
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, 2022

Table 4
 Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program expenses				
Instruction	\$ 34,937,397	\$ 40,860,622	\$(32,115,658)	\$(36,681,012)
Supporting services				
Pupil and instructional staff	5,967,327	7,574,056	(5,295,262)	(6,304,124)
Board of education, administration, fiscal services and business	8,066,444	8,711,319	(7,943,321)	(8,546,990)
Operation and maintenance	4,306,793	4,905,806	(4,218,072)	(4,784,049)
Pupil transportation	2,805,724	3,382,515	(2,755,000)	(3,305,071)
Central services	632,134	1,214,268	(617,534)	(1,176,434)
Operation of non-instructional services				
Food service operation	1,778,166	1,273,150	910,666	(13,975)
Community services	69,797	286,111	85,914	(69,831)
Extracurricular activities	1,699,184	1,863,048	(1,276,652)	(1,613,391)
Interest and fiscal charges	3,172,700	2,925,010	(3,172,700)	(2,925,010)
Total expenses	<u>\$ 63,435,666</u>	<u>\$ 72,995,905</u>	<u>\$(56,397,619)</u>	<u>\$(65,419,887)</u>

The primary source of general revenue is property taxes levied. In fiscal years 2022 and 2021, property taxes accounted for 73.7 and 73.8 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, 2022, the School District's governmental funds reported combined ending fund balances of \$ 19,471,003 an increase of \$ 818,745 in comparison with the prior year.

Total revenue increased \$ 121,826 from the prior year, while total expenditures decreased by \$ 1,513,293 (2.2%) from the prior year.

The net change in fund balance for the General Fund was a decrease of \$ 1,394,467 in 2022 compared to a decrease of \$ 726,986 in 2021. The Debt Service Fund, a major fund, had a \$ 690,387 increase in fund balance.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Prudent management of operating expenses by the Administration has allowed the School District to accumulate a General Fund unrestricted cash balance of \$ 14.1 million at June 30, 2022. 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 2022, the School District amended its General Fund Budget several times. For the General Fund, the original and final budget basis revenue and other sources estimate was \$ 57,000,000 which was \$ 143,752 higher than actual. The final budget basis expenditures and other uses estimate totaled \$ 61,448,005 which was \$ 782,972 lower than the original budget estimate. Actual expenditures were \$ 60,690,418 which was \$ 757,587 lower than final budget basis expenditures. The unencumbered ending cash balance totaled \$ 11,603,572.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation/amortization. At the end of fiscal 2022 the School District had \$ 90.1 million invested in net capital assets. Table 5 shows fiscal 2022 values compared to fiscal 2021.

Table 5
Capital Assets
 (Net of Accumulated Depreciation/Amortization)

	2022	Restated 2021
Land	\$ 1,504,554	\$ 1,504,554
Land improvements	10,420,480	10,903,601
Buildings and improvements	72,490,400	73,911,437
Furniture and equipment	4,561,718	5,994,810
Vehicles	1,085,187	1,318,273
Intangible right to use - leased equipment	67,563	97,591
Total net capital assets	\$ 90,129,902	\$ 93,730,266

During fiscal 2022, the School District purchased \$ 298,815 of capital assets. 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, 2022

Debt Administration

At June 30, 2022, the School District had \$ 128,737,818 in long-term obligations, a decrease of \$ 36,040,629. This decrease is primarily the result of decreases net pension liability term and serial bonds. \$ 2,931,257 of the long-term obligations are due within one year. Table 6 shows fiscal 2022 values compared to fiscal 2021.

Table 6
 Outstanding Debt Year-End

	2022	Restated 2021
Term and serial bonds	\$ 68,836,263	\$ 69,943,881
Unamortized bond premium	6,849,493	7,116,155
Compensated absences	9,309,924	8,611,837
Net pension liability	38,714,537	73,266,064
Net OPEB liability	4,957,155	5,740,296
Lease obligation	70,446	100,214
Total outstanding debt	\$ 128,737,818	\$ 164,778,447

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 \$47M 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.

North Olmsted City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The Board of Education has taken steps to improve the financial forecast of the district. Steps include a employee severance plan for retirement/resignation purposes, cost reductions and the use of ESSER funds to sustain district operations during these difficult financial times. The district will move to State minimum bussing requirements at the beginning of the 2022-2023 school year. The district asked voters to approve a combined operating/bond issue in May 2022. This issue would have been for 5 mills operating and \$58,000,000 bond which would have provided one new elementary campus. This issue was not success in May 2022, the Board of Education has taken the necessary steps to put the same issue on the ballot in November 2022.

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.

In September 2018, the Administration completed the construction of a new middle/high school, a performing arts center, and sport complex. The project was funding 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, 2022

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash	\$ 28,268,889
Intergovernmental receivables	429,103
Taxes receivable	44,980,567
Net OPEB asset	4,842,867
Capital assets	
Nondepreciable capital assets	1,504,554
Depreciable capital assets	88,625,348
Total assets	<u>168,651,328</u>
Deferred outflow s of resources	
Deferred charge on refunding	
Deferral on refunding	1,704,104
Pension	14,457,505
OPEB	1,484,655
Total deferred outflow s of resources	<u>17,646,264</u>
Liabilities	
Accounts and contracts payable	762,085
Accrued salaries, wages and benefits	6,336,757
Accrued interest payable	355,000
Claims payable	965,400
Intergovernmental payable	1,050,039
Long-term liabilities	
Due within one year	2,931,257
Due in more than one year	
Net pension liability	38,714,537
Net OPEB liability	4,957,155
Other amounts	82,134,869
Total liabilities	<u>138,207,099</u>
Deferred inflow s of resources	
Property taxes levied for next year	40,715,008
Pension	32,959,350
OPEB	8,842,090
Total deferred inflow s of resources	<u>82,516,448</u>
Net position	
Net investment in capital assets	18,025,399
Restricted for:	
Debt service	4,140,826
Capital projects	4,383,816
Set-asides	223,073
Food service	1,124,261
Extracurricular activities	304,329
State grants	358,075
Federal grants	6,490
Net OPEB asset	4,842,867
Unrestricted	(67,835,091)
Total net position	<u>\$ (34,425,955)</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	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	\$ 23,595,882	\$ 759,166	\$ 47,639	\$ (22,789,077)
Special	10,220,419	8,888	1,428,637	(8,782,894)
Vocational	441,776	-	-	(441,776)
Other instruction	679,320	-	577,409	(101,911)
Supporting services				
Pupil	4,149,032	-	530,771	(3,618,261)
Instructional staff	1,818,295	-	141,294	(1,677,001)
Board of education	60,094	-	6,969	(53,125)
Administration	5,891,760	-	115,244	(5,776,516)
Fiscal services	1,435,096	-	-	(1,435,096)
Business	679,494	-	910	(678,584)
Operation and maintenance	4,306,793	-	88,721	(4,218,072)
Pupil transportation	2,805,724	2,200	48,524	(2,755,000)
Central services	632,134	-	14,600	(617,534)
Operation of non-instructional services				
Food service operation	1,778,166	102,913	2,585,919	910,666
Community services	69,797	26,550	129,161	85,914
Extracurricular activities	1,699,184	363,870	58,662	(1,276,652)
Interest and fiscal charges	3,172,700	-	-	(3,172,700)
Total	<u>\$ 63,435,666</u>	<u>\$ 1,263,587</u>	<u>\$ 5,774,460</u>	<u>(56,397,619)</u>

General revenues	
Property taxes levied for:	
General purposes	40,121,137
Debt service	4,558,024
Capital improvements	1,050,282
Payments in lieu of taxes	1,721,246
Grants and entitlements not restricted to specific purposes	14,157,856
Investment earnings	165,281
Miscellaneous	242,327
Total general revenues	<u>62,016,153</u>
Change in net position	5,618,534
Net position at beginning of year, restated	(40,044,489)
Net position at end of year	<u>\$ (34,425,955)</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 14,105,036	\$ 4,091,439	\$ 6,411,354	\$ 24,607,829
Restricted cash	223,073	-	-	223,073
Receivables, net of allowance				
Taxes, current	38,438,997	4,612,992	1,005,978	44,057,967
Taxes, delinquent	811,900	89,500	21,200	922,600
Intergovernmental receivables	50,352	-	378,751	429,103
Interfund receivables	197,357	-	-	197,357
Total assets	\$ 53,826,715	\$ 8,793,931	\$ 7,817,283	\$ 70,437,929
Liabilities				
Accounts and contracts payable	\$ 451,786	\$ -	\$ 310,299	\$ 762,085
Accrued salaries, wages and benefits	5,979,163	-	325,121	6,304,284
Intergovernmental payable	1,016,141	-	33,898	1,050,039
Interfund payable	-	-	197,357	197,357
Matured compensated absences	1,015,553	-	-	1,015,553
Total liabilities	8,462,643	-	866,675	9,329,318
Deferred inflows of resources				
Property taxes levied for next year and unavailable resources	36,303,754	4,387,605	946,249	41,637,608
Total deferred inflows of resources	36,303,754	4,387,605	946,249	41,637,608
Fund balances (deficits)				
Restricted	-	4,406,326	6,204,065	10,610,391
Committed	487,073	-	-	487,073
Assigned	13,904,708	-	-	13,904,708
Unassigned	(5,331,463)	-	(199,706)	(5,531,169)
Total fund balances (deficits)	9,060,318	4,406,326	6,004,359	19,471,003
Total liabilities, deferred inflows of resources and fund balances	\$ 53,826,715	\$ 8,793,931	\$ 7,817,283	\$ 70,437,929

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, 2022

Total governmental fund balances		\$ 19,471,003
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.		90,129,902
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.		922,600
Net OPEB asset is not recognized in the funds.		4,842,867
Unamortized deferred charges on refundings are not recognized in the funds.		1,704,104
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(355,000)
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	\$ 14,457,505	
Deferred inflow s - pension	(32,959,350)	
Net pension liability	(38,714,537)	
Deferred outflow s - OPEB	1,484,655	
Deferred inflow s - OPEB	(8,842,090)	
Net OPEB liability	<u>(4,957,155)</u>	(69,530,972)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable	(8,294,371)	
Bonds payable	(68,836,263)	
Unamortized bond premium	(6,849,493)	
Capital lease payable	<u>(70,446)</u>	(84,050,573)
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.		
		<u>2,440,114</u>
Net position of governmental activities		<u><u>\$ (34,425,955)</u></u>

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, 2022

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 40,558,337	\$ 4,590,624	\$ 1,061,782	\$ 46,210,743
Payments in lieu of taxes	1,721,246	-	-	1,721,246
Tuition and fees	690,373	-	-	690,373
Interest	89,424	6,926	60,766	157,116
Intergovernmental	13,968,239	109,418	5,854,659	19,932,316
Charges for services	-	-	98,073	98,073
Extracurricular	41,232	-	363,870	405,102
Donations and contributions	19,105	-	17,873	36,978
Other	275,388	-	-	275,388
Total revenues	57,363,344	4,706,968	7,457,023	69,527,335
Expenditures				
Current				
Instruction				
Regular	25,030,662	-	48,067	25,078,729
Special	10,473,118	-	1,436,259	11,909,377
Vocational	526,032	-	-	526,032
Other instruction	147,995	-	575,258	723,253
Supporting services				
Pupil	4,319,529	-	682,117	5,001,646
Instructional staff	1,837,223	-	240,143	2,077,366
Board of education	62,327	-	6,969	69,296
Administration	4,844,224	-	111,442	4,955,666
Fiscal services	1,560,023	-	-	1,560,023
Business	517,343	-	89,896	607,239
Operation and maintenance	4,108,005	-	219,672	4,327,677
Pupil transportation	2,997,620	-	53,212	3,050,832
Central services	740,590	-	19,255	759,845
Operation of non-instructional services				
Food service operation	46,011	-	1,783,583	1,829,594
Community services	5,885	-	130,674	136,559
Extracurricular activities	1,198,295	-	392,116	1,590,411
Capital outlay	-	-	145,535	145,535
Debt service				
Principal	319,768	1,480,000	-	1,799,768
Interest	23,161	2,536,581	-	2,559,742
Total expenditures	58,757,811	4,016,581	5,934,198	68,708,590
Excess (deficiency) of revenues over expenditures	(1,394,467)	690,387	1,522,825	818,745
Net change in fund balances	(1,394,467)	690,387	1,522,825	818,745
Fund balances, beginning of year	10,454,785	3,715,939	4,481,534	18,652,258
Fund balances, end of year	\$ 9,060,318	\$ 4,406,326	\$ 6,004,359	\$ 19,471,003

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, 2022

Net change in fund balances - total governmental funds		\$ 818,745
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	\$ 298,815	
Depreciation expense	<u>(3,887,375)</u>	(3,588,560)
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.		
		(11,804)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Property taxes		
		(481,300)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,799,768
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	(141,500)	
Annual accretion	(662,382)	
Amortization of bond premium	266,662	
Amortization of deferred charges	<u>(75,738)</u>	(612,958)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	5,205,200	
OPEB	<u>145,877</u>	5,351,077
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	1,936,327	
OPEB	<u>563,487</u>	2,499,814
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		
		(587,809)
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>431,561</u>
Change in net position of governmental activities		<u>\$ 5,618,534</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, 2022

	Budget Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 57,000,000	\$ 57,000,000	\$ 56,856,248	\$ (143,752)
Total expenditures and other uses	62,230,977	61,448,005	60,690,418	757,587
Net change in fund balances	(5,230,977)	(4,448,005)	(3,834,170)	613,835
Prior year encumbrances appropriated	730,687	730,687	730,687	-
Fund balances, beginning of year	14,707,055	14,707,055	14,707,055	-
Fund balances, end of year	<u>\$ 10,206,765</u>	<u>\$ 10,989,737</u>	<u>\$ 11,603,572</u>	<u>\$ 613,835</u>

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUND
JUNE 30, 2022

	Self Insurance
Assets	
Current assets	
Equity in pooled cash	\$ 3,437,987
Total assets	3,437,987
Liabilities	
Current liabilities	
Accrued salaries and benefits	32,473
Claims payable	965,400
Total liabilities	997,873
Net position	
Unrestricted	\$ 2,440,114

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, 2022

	Self Insurance
Operating revenues	
Charges for services	\$ 14,590,229
Operating expenses	
Purchased services	1,563,170
Claims	12,571,190
Personal services	32,473
Total operating expenses	14,166,833
Operating income	423,396
Nonoperating revenues	
Interest income	8,165
Change in net position	431,561
Net position, beginning of year	2,008,553
Net position, end of year	\$ 2,440,114

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, 2022

	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 14,590,229
Cash payments for claims	(12,522,290)
Cash payments for goods and services	(1,563,170)
Net cash provided by operating activities	504,769
Cash flows from investing activities	
Interest income	8,165
Net cash provided by investing activities	8,165
Net increase in cash and cash equivalents	512,934
Cash and cash equivalents, beginning of year	2,925,053
Cash and cash equivalents, end of year	\$ 3,437,987
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 423,396
Adjustments	
Increase in accrued wages and benefits	32,473
Decrease in claims payable	48,900
Total adjustments	81,373
Net cash provided by operating activities	\$ 504,769

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUND
JUNE 30, 2022

	Custodial Fund
Assets	
Current assets	
Equity in pooled cash	\$ 1,428
Total assets	1,428
Liabilities	
Current liabilities	
Accounts and contracts payable	60
Total liabilities	60
Net position	
Restricted for other organizations	\$ 1,368

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, 2022

	Custodial Fund
Additions	
Collections for other organizations	\$ 3,313
Total collections	3,313
Deductions	
Distributions to other organizations	1,958
Total deductions	1,958
Net change in fiduciary net position	1,355
Net position beginning of year	13
Net position, end of year	\$ 1,368

See accompanying notes to the basic financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2021 was 3,711. The School District employs 307 certificated and 263 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022, but which were levied to finance fiscal year 2023 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 20. 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, 2022

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 2022, interest revenue credited to the General Fund amounted to \$ 89,424, none of which 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 2022, 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CASH AND INVESTMENTS (continued)

For 2022 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 \$ 250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 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
Leased assets	5 years

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 \$ 15,383,737 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, 2022

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, 2022

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 2022.

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

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

A. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the School District has implemented GASB Statement No. 87, "Leases", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 resulted in the restatement of the financial statements of the School District.

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

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

B. RESTATEMENT OF NET POSITION

Net position of governmental activities at June 30, 2021 has been restated for the implementation of GASB Statement 87 and to restate for capital assets that were no longer in use. The effect of the restatement is as follows:

	Governmental Activities
Net position June 30, 2021	\$ (39,917,657)
Adjustments:	
GASB 87	(2,623)
Capital assets, net	(124,209)
Restated net position June 30, 2021	\$ (40,044,489)

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

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	\$ (3,834,170)
Adjustments, increase (decrease)	
Revenue accruals	208,987
Expenditure accruals	3,148,282
Funds budgeted elsewhere **	226,336
Encumbrances	(1,143,902)
GAAP basis, as reported	\$ (1,394,467)

** 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, 2022

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	\$ -	\$ -	\$ 1,163,348	\$ 1,163,348
Classroom facilities and maintenance	-	-	2,529,279	2,529,279
Athletics	-	-	176,590	176,590
Non-public schools	-	-	26,813	26,813
Student activities	-	-	127,739	127,739
Student wellness	-	-	328,379	328,379
Other	-	-	18,580	18,580
Debt service	-	4,406,326	-	4,406,326
Capital improvements	-	-	1,833,337	1,833,337
Total restricted	-	4,406,326	6,204,065	10,610,391
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	515,853	-	-	515,853
Student and staff support	909,595	-	-	909,595
Subsequent year's appropriations	11,621,815	-	-	11,621,815
Termination benefits	454,133	-	-	454,133
Other	397,170	-	-	397,170
Total assigned	13,904,708	-	-	13,904,708
Unassigned (deficit)	(5,331,463)	-	(199,706)	(5,531,169)
Total fund balances	\$ 9,060,318	\$ 4,406,326	\$ 6,004,359	\$ 19,471,003

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

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 \$ 4,334,427 and the bank balance was \$ 4,391,424. Of the bank balance, \$ 4,336,236 was covered by federal depository insurance and \$ 55,188 was uninsured. Of the remaining balance \$ 55,188 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 \$ 5,392 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, 2022, the School District had the following investments:

	Fair Value	Investment Maturities		
		Less than 1 year	1 - 2 years	3 years and longer
STAR Ohio	\$ 12,037,709	\$ 12,037,709	\$ -	\$ -
Money market	775,299	775,299	-	-
Commercial paper	2,652,968	2,652,968	-	-
Municipal bonds	400,960	-	400,960	-
Federal Agency Notes and Discount Notes	8,063,562	2,467,166	3,337,799	2,258,597
	<u>\$ 23,930,498</u>	<u>\$ 17,933,142</u>	<u>\$ 3,738,759</u>	<u>\$ 2,258,597</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, 2022. 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, 2022

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 carries a rating of P-1 by Moody'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, 2022:

	Fair Value	Percentage of Investments
STAR Ohio	\$ 12,037,709	50.3%
Money Market	775,299	3.2%
Commercial paper	2,652,968	11.1%
Municipal bonds	400,960	1.7%
Federal Agency Notes and Discount Notes	8,063,562	33.7%
	\$ 23,930,498	100.0%

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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2021 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, 2022

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, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2022 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, 2022, was \$ 2,947,143 in the General Fund, \$ 314,887 in the Debt Service Fund and \$ 80,929 in the Permanent Improvements Fund. 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.

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 2022 taxes were collected are:

	2021 First Half Collections		2022 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 590,015,700	69.16 %	\$ 707,843,300	73.07 %
Other Commercial	242,266,970	28.40	239,041,250	24.68
Public Utility Tangible	20,844,650	2.44	21,839,210	2.25
	<u>\$ 853,127,320</u>	<u>100.00 %</u>	<u>\$ 968,723,760</u>	<u>100.00 %</u>
 Tax Rate per \$ 1,000 of Assessed Valuation:	 <u>\$ 96.50</u>		 <u>\$ 96.50</u>	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2022, consisted of property taxes, 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, 2022

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

Governmental Activities	Restated Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Nondepreciable capital assets				
Land	\$ 1,504,554	\$ -	\$ -	\$ 1,504,554
Construction in progress	-	-	-	-
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	85,457,436	70,411	-	85,527,847
Furniture and equipment	10,573,118	228,404	26,658	10,774,864
Vehicles	3,541,376	-	20,776	3,520,600
Intangible right to use - leased assets	150,141	-	-	150,141
Total capital assets being depreciated	<u>112,178,753</u>	<u>298,815</u>	<u>47,434</u>	<u>112,430,134</u>
Less accumulated depreciation/amortization				
Land improvements	1,553,081	483,121	-	2,036,202
Buildings and improvements	11,545,999	1,491,448	-	13,037,447
Furniture and equipment	4,578,308	1,649,692	14,854	6,213,146
Vehicles	2,223,103	233,086	20,776	2,435,413
Intangible right to use - leased assets	52,550	30,028	-	82,578
Total accumulated depreciation/amortization	<u>19,953,041</u>	<u>3,887,375</u>	<u>35,630</u>	<u>23,804,786</u>
Depreciable capital assets, net of accumulated depreciation/amortization	<u>92,225,712</u>	<u>(3,588,560)</u>	<u>11,804</u>	<u>88,625,348</u>
Governmental activities capital assets, net	<u>\$ 93,730,266</u>	<u>\$ (3,588,560)</u>	<u>\$ 11,804</u>	<u>\$ 90,129,902</u>

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 2,311,829
Special	14,384
Supporting services	
Pupil	1,990
Instructional staff	26,031
Board of education	1,087
Administration	141,038
Business	99,268
Operation and maintenance of plant	547,431
Pupil transportation	203,206
Central services	1,917
Operation of non-instructional services	
Food service	76,966
Auxiliary services	958
Extracurricular activities	461,270
Total depreciation expense	<u>\$ 3,887,375</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 the School District's liability related to this retirement incentive plan was \$ 825,745.

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. Currently the School District contracts with Schools of Ohio Risk Sharing Authority (SORSA) 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, offers 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, 2022

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 \$ 965,400 reported at June 30, 2022 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, 2022 and 2021 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, 2022	June 30, 2021
Unpaid claims, beginning of year	\$ 916,500	\$ 537,800
Incurred claims	12,571,190	9,185,918
Claims payments	(12,522,290)	(8,807,218)
Unpaid claims, end of year	\$ 965,400	\$ 916,500

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, 2022

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, 2022

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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund. The School District's contractually required contribution to SERS was \$ 1,207,946 for fiscal year 2022, of which \$ 114,522 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. 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 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, 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. 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.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2022, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$ 3,997,254 for fiscal year 2022. Of this amount \$ 702,761 is reported as an intergovernmental payable.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

The net pension liability was measured as of June 30, 2021, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 9,346,353	\$ 29,368,184	\$ 38,714,537
Pension expense	\$ (599,742)	\$ (1,336,585)	\$ (1,936,327)
Proportion of the net pension liability prior measurement date	0.25493060%	0.233110380%	
Proportion of the net pension liability current measurement date	<u>0.25330860%</u>	<u>0.229691982%</u>	
	<u>-0.00162200%</u>	<u>-0.003418398%</u>	

At June 30, 2022, 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	\$ 902	\$ 907,335	\$ 908,237
Changes in assumptions	196,807	8,147,261	8,344,068
School District contributions subsequent to the measurement date	<u>1,207,946</u>	<u>3,997,254</u>	<u>5,205,200</u>
Total deferred outflows of resources	<u>\$ 1,405,655</u>	<u>\$ 13,051,850</u>	<u>\$ 14,457,505</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 242,389	\$ 184,079	\$ 426,468
Net difference between projected and actual earnings on pension plan investments	4,813,645	25,309,754	30,123,399
Changes in proportionate share and difference between School District contributions and proportionated share of contributions	<u>137,998</u>	<u>2,271,485</u>	<u>2,409,483</u>
Total deferred inflows of resources	<u>\$ 5,194,032</u>	<u>\$ 27,765,318</u>	<u>\$ 32,959,350</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

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)

\$ 5,205,200 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, 2023. 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
2023	\$ (1,315,706)	\$ (5,201,141)	\$ (6,516,847)
2024	(1,058,610)	(4,095,330)	(5,153,940)
2025	(1,144,510)	(4,237,610)	(5,382,120)
2026	(1,477,497)	(5,176,641)	(6,654,138)
	<u>\$ (4,996,323)</u>	<u>\$(18,710,722)</u>	<u>\$(23,707,045)</u>

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, 2022

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, 2021, are presented below:

Actuarial cost method	Entry age normal (Level Percent of Payroll)
Actuarial assumptions experience study	5 year period ended June 30, 2020
Investment rate of return	7.00 percent of net of investments expense, including inflation
COLA or Ad Hoc COLA	2.00 percent on and after April 1, 2018. COLA's for future retirees will be delayed for three years following
Future salary increases, including inflation	3.25 percent to 13.58 percent
Inflation	2.40 percent

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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%	-0.33%
U.S. equity	24.75%	5.72%
Non-U.S. equity developed	13.50%	6.55%
Non-U.S. equity emerging	6.75%	8.54%
Fixed income / global bonds	19.00%	1.14%
Private equity	11.00%	10.03%
Real estate / real assets	16.00%	5.41%
Multi-asset strategy	4.00%	3.47%
Private debt / private credit	3.00%	5.28%
	<u>100.00%</u>	

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.00 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 (7.00 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.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 15,550,036	\$ 9,346,353	\$ 4,114,516

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2021, 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	7.00 percent, net of investment expenses, including inflation
Discount rate of return	7.00 percent
Cost of living (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 July 1 2021, 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, 2022

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 7.00 percent as of June 30, 2021. 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. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 54,995,618	\$ 29,368,184	\$ 7,713,058

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

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 2022, 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 2022, this amount was \$ 25,000. 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 2022, the School District's surcharge obligation was \$ 145,877.

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 \$ 145,877 for fiscal year 2022, all of which is reported as an intergovernmental payable.

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, 2022, STRS Ohio did not allocate any employer contributions to post-employment health care.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

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, 2021, 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:

	SERS	STRS	
Proportion of the net OPEB liability			
Prior measurement date	0.26412480%	0.233110380%	
Current measurement date	0.26192550%	0.229691982%	
Change in proportionate share	-0.00219930%	-0.003418398%	
	SERS	STRS	Total
Proportionate share of the net OPEB liability/(asset)	\$ 4,957,155	\$ (4,842,867)	\$ 114,288
OPEB expense	\$ (160,943)	\$ (402,544)	\$ (563,487)

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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	\$ 52,840	\$ 172,442	\$ 225,282
Change in assumptions	777,660	309,341	1,087,001
Changes in proportionate share and differences between School District contributions and proportionate share of contributions	403	26,092	26,495
School District contributions subsequent to the measurement date	145,877	-	145,877
Total deferred outflows of resources	<u>\$ 976,780</u>	<u>\$ 507,875</u>	<u>\$ 1,484,655</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 2,468,887	\$ 887,304	\$ 3,356,191
Change in assumptions	678,841	2,889,130	3,567,971
Net difference between projected and actual earnings on OPEB plan investments	107,696	1,342,357	1,450,053
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	235,665	232,210	467,875
Total deferred inflows of resources	<u>\$ 3,491,089</u>	<u>\$ 5,351,001</u>	<u>\$ 8,842,090</u>

\$ 145,877 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, 2023. 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	\$ (615,901)	\$ (1,387,074)	\$ (2,002,975)
2023	(616,656)	(1,353,481)	(1,970,137)
2024	(610,592)	(1,345,771)	(1,956,363)
2025	(499,069)	(568,538)	(1,067,607)
2026	(244,445)	(192,384)	(436,829)
2027	(73,523)	4,122	(69,401)
	<u>\$ (2,660,186)</u>	<u>\$ (4,843,126)</u>	<u>\$ (7,503,312)</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

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, 2021, are presented below:

Actuarial assumptions experience study date	5 year period ended June 30, 2020
Investment rate of return	7.00 percent of net of investment expense, including inflation
Inflation	2.40 percent
Wage increases	3.25 to 13.58 percent
Municipal bond index rate:	
Prior measurement date	2.45 percent
Measurement date	1.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	2.63 percent
Measurement date	2.27 percent
Medical trend assumptions	
Pre-medicare	6.750 to 4.400 percent
Medicare	5.125 to 4.400 percent

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

The long-term 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 2015 through 2020, and was adopted by the Board on April 21, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 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, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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>	

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 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 1.5 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$ 6,142,515	\$ 4,957,155	\$ 4,010,205
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 3,816,603	\$ 4,957,155	\$ 6,480,582

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll increases	3.00 percent	
Investment rate of return	7.00 percent, net of investment expenses, including inflation	
Discount rate of return	7.00 percent	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription drug		
Pre-medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

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

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.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

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, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$ (4,086,632)	\$ (4,842,867)	\$ (5,474,589)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ (5,448,992)	\$ (4,842,867)	\$ (4,093,339)

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2022 were as follows:

	Restated Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Amounts Due In One Year
General obligation bonds					
Energy conservation	\$ 1,195,000	\$ -	\$ 290,000	\$ 905,000	\$ 295,000
Facilities improvements	20,650,000	-	1,025,000	19,625,000	1,125,000
Refunding bonds					
Term and serial bonds	46,045,000	-	455,000	45,590,000	465,000
Capital appreciation bonds	768,668	-	-	768,668	-
Accretion on capital appreciation bonds	1,285,213	662,382	-	1,947,595	-
Total general obligation bonds	<u>69,943,881</u>	<u>662,382</u>	<u>1,770,000</u>	<u>68,836,263</u>	<u>1,885,000</u>
Unamortized bond premium	<u>7,116,155</u>	<u>-</u>	<u>266,662</u>	<u>6,849,493</u>	<u>-</u>
Lease payable	<u>100,214</u>	<u>-</u>	<u>29,768</u>	<u>70,446</u>	<u>30,704</u>
Net pension liability					
STRS	56,404,417	-	27,036,233	29,368,184	-
SERS	16,861,647	-	7,515,294	9,346,353	-
Total net pension liability	<u>73,266,064</u>	<u>-</u>	<u>34,551,527</u>	<u>38,714,537</u>	<u>-</u>
Net OPEB liability					
SERS	5,740,296	-	783,141	4,957,155	-
Total net OPEB liability	<u>5,740,296</u>	<u>-</u>	<u>783,141</u>	<u>4,957,155</u>	<u>-</u>
Compensated absences	<u>8,611,837</u>	<u>1,603,362</u>	<u>905,275</u>	<u>9,309,924</u>	<u>1,015,553</u>
Total long-term obligations	<u>\$ 164,778,447</u>	<u>\$ 2,265,744</u>	<u>\$ 38,306,373</u>	<u>\$ 128,737,818</u>	<u>\$ 2,931,257</u>

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	2049
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 of a new middle school building and a new high school building.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 1,885,000	\$ 2,501,378	\$ 4,386,378
2024	1,540,587	2,848,309	4,388,896
2025	547,947	3,855,628	4,403,575
2026	187,004	3,968,546	4,155,550
2027	140,165	4,000,385	4,140,550
2028 - 2032	7,562,965	13,366,785	20,929,750
2033 - 2037	11,795,000	9,573,650	21,368,650
2038 - 2042	15,075,000	6,849,780	21,924,780
2043 - 2047	19,105,000	3,679,307	22,784,307
2048 - 2049	9,050,000	365,000	9,415,000
Totals	<u>\$ 66,888,668</u>	<u>\$ 51,008,768</u>	<u>\$ 117,897,436</u>

The School District has entered into a lease agreement for the use of right to use equipment. Due to the implementation of GASB Statement No. 87, the School District reports an intangible capital asset and corresponding liability for the future scheduled payments under the lease. The lease is paid from the General Fund.

The School District lease agreement is for copier equipment with the following terms:

Company	Beginning Date	Years	Ending Date	Payment Method
Toshiba Business Solutions	2019	5	2024	Monthly

The following is the schedule of future lease payments under the lease agreement:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 30,704	\$ 1,750	\$ 32,454
2024	31,670	785	32,455
2025	8,072	42	8,114
Totals	<u>\$ 70,446</u>	<u>\$ 2,577</u>	<u>\$ 73,023</u>

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, \$ 48,275,000 of bonds payable are considered to be defeased.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

A. NORTHERN BUCKEYE EDUCATION COUNCIL

The Northern Buckeye Education Council (the "Council") is a 41 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, 2022, the School District paid \$ 208,780 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, 2022

NOTE 15 - JOINTLY GOVERNED ORGANIZATION (continued)

D OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 265 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 2022, the School District paid \$ 3,127 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, 2022. There are currently over 170 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, 2022.

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, 2022 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, 2022

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 2022.

	Capital Maintenance	Budget Stabilization
Set-aside reserve balances as of June 30, 2021	\$ -	\$ 223,073
Current year set-aside requirement	638,327	-
Qualifying offsets	(784,195)	-
Total	\$ (145,868)	\$ 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	\$ 146,448
Limited English Proficiency	\$ 2,689
Title I	\$ 30,475
Title IV-A	\$ 10,692
Preschool	\$ 2,328
Title II-A	\$ 7,074

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.

NOTE 19– INTERFUND BALANCES

Interfund receivables/payable consisted of the following at year end as reported on the fund statements:

Receivable	Payable	Amount
General Fund	Nonmajor governmental funds	\$ 197,357

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by year end. These interfund balances will be repaid once the revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 20 – 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 21 – TAX ABATEMENT

As of December 31, 2021, the City of North Olmsted (the City) provides tax incentives under three programs: the Community Reinvestment Area (CRA), known as the North Olmsted Community Reinvestment Area (NOCRA), the Job Retention Grant Program, and the Job Creation Grant Program.

Pursuant to Ohio Revised Code 3735, the City established a CRA in 1992, and later amended it in 2014, which included all land within the boundaries of the City. The City created the Job Retention Grant Program. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses, pursuant to Article XVIII, Section 3 and Article VIII, Section 13 of the Ohio Constitution (Ordinance #2016-76). The City created the Job Creation Grant Program. The purpose of the program is to provide an economic incentive for businesses to locate or expand within the City.

Foregone tax dollars for the School District for the tax year 2022 amounted to \$ 165,223.

NOTE 22 – SUBSEQUENT EVENTS

On November 8, 2022, the community of North Olmsted approved an \$ 58,000,000 Facilities Improvement Bonds Levy. Proceeds from the sale of the bonds will be used to construct a pre-k through fifth grade educational campus. Principal and interest on the bonds will be paid with the real estate taxes collected which start to be assessed beginning in January 2023. The School District was able to participate with Ohio Schools Facilities Commission in the ELPP project, which qualifies them to receive 18% of the qualified project reimbursed.

Additionally, the community supported a 5 mill operating levy. This levy is for a continuous period and has provided the School District financial resources to have a positive cash balance for the current five-year forecast. This levy will start to be assessed at the beginning of January 2023.

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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 NINE FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.2533086%	0.2549306%	0.2608208%	0.2751357%
School District's proportionate share of the net pension liability	\$ 9,346,353	\$ 16,861,647	\$ 15,605,366	\$ 15,757,531
School District's covered payroll	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674
School District's proportionate share of the net pension liability as a percentage of its covered payroll	101.21%	217.72%	178.40%	181.92%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

(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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.2754275%	0.2836686%	0.2851012%	0.2982690%	0.2982690%
\$ 16,456,185	\$ 20,761,924	\$ 16,268,151	\$ 15,095,224	\$ 17,737,100
\$ 8,148,014	\$ 7,323,529	\$ 8,244,609	8,191,847	6,744,335
201.97%	283.50%	211.57%	184.27%	262.99%
69.50%	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 NINE FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.229691982%	0.23311038%	0.23928559%	0.24308821%
School District's proportionate share of the net pension liability	\$ 29,368,184	\$ 56,404,417	\$ 52,916,570	\$ 53,449,639
School District's covered payroll	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250
School District's proportionate share of the net pension liability as a percentage of its covered payroll	104.04%	207.58%	190.26%	195.45%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	75.50%	77.40%	77.31%

(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.

2018	2017	2016	2015	2014
0.25480111%	0.25309363%	0.25519910%	0.250795%	0.250795%
\$ 60,528,550	\$ 84,718,067	\$ 70,529,568	\$ 61,002,024	\$ 72,665,211
\$ 25,778,279	\$ 26,978,250	\$ 26,704,226	\$ 26,541,248	\$ 24,369,023
234.80%	314.02%	264.11%	229.84%	298.19%
75.30%	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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,207,946	\$ 1,292,910	\$ 1,084,258	\$ 1,180,576
Contributions in relation to the contractually required contribution	<u>(1,207,946)</u>	<u>(1,292,910)</u>	<u>(1,084,258)</u>	<u>(1,180,576)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 8,628,183	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

See accompanying notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,169,326	\$ 1,140,722	\$ 1,025,294	\$ 1,084,003	\$ 1,135,390	\$ 933,416
<u>(1,169,326)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,661,674	\$ 8,148,014	\$ 7,323,529	\$ 8,224,609	\$ 8,191,847	\$ 6,744,335
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,997,254	\$ 3,951,725	\$ 3,804,182	\$ 3,893,720
Contributions in relation to the contractually required contribution	<u>(3,997,254)</u>	<u>(3,951,725)</u>	<u>(3,804,182)</u>	<u>(3,893,720)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 28,551,817	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to required supplementary information.

2018	2017	2016	2015	2014	2013
<u>\$ 3,828,615</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>(3,828,615)</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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 27,347,250	\$ 25,778,279	\$ 26,978,250	\$ 26,704,226	\$ 26,154,685	\$ 24,369,023
14.00%	14.00%	14.00%	14.00%	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 SIX FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net OPEB liability	0.2619255%	0.2641248%	0.2678742%	0.2791138%
School District's proportionate share of the net OPEB liability	\$ 4,957,155	\$ 5,740,296	\$ 6,736,473	\$ 7,743,371
School District's covered payroll	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010	\$ 8,661,674
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	53.68%	74.12%	77.03%	89.40%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%

(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.

<u>2018</u>	<u>2017</u>
0.2796474%	0.2878318%
\$ 7,505,001	\$ 8,204,271
\$ 8,148,014	\$ 7,323,529
92.11%	112.03%
12.46%	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 SIX FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net OPEB liability (asset)	0.229691982%	0.23311038%	0.23928559%	0.24308821%
School District's proportionate share of the net OPEB liability (asset)	\$ (4,842,867)	\$ (4,096,910)	\$ (3,963,144)	\$ (3,906,180)
School District's covered payroll	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288	\$ 27,347,250
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-17.16%	-15.08%	-14.25%	-14.28%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	174.70%	182.10%	174.74%	176.00%

(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.

<u>2018</u>	<u>2017</u>
0.25480110%	0.25309360%
\$ 9,941,399	\$ 13,535,512
\$ 25,778,279	\$ 26,978,250
38.57%	50.17%
47.10%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (1)	\$ 145,877	\$ 171,633	\$ 172,566	\$ 209,965
Contributions in relation to the contractually required contribution	<u>(145,877)</u>	<u>(171,633)</u>	<u>(172,566)</u>	<u>(209,965)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 8,628,183	\$ 9,235,069	\$ 7,744,700	\$ 8,745,010
OPEB contributions as a percentage of covered payroll	1.69%	1.86%	2.23%	2.40%

(1) Includes Surcharge

See accompanying notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 194,047	\$ 153,117	\$ 147,209	\$ 67,442	\$ 164,260	\$ 201,617
<u>(194,047)</u>	<u>(153,117)</u>	<u>(147,209)</u>	<u>(67,442)</u>	<u>(164,260)</u>	<u>(201,617)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,661,674	\$ 8,148,014	\$ 7,323,529	\$ 8,224,609	\$ 8,191,847	\$ 6,744,335
2.24%	1.88%	2.01%	0.82%	2.01%	2.99%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</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	\$ 28,551,817	\$ 28,226,605	\$ 27,172,730	\$ 27,812,288
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to required supplementary information.

2018	2017	2016	2015	2014	2013
\$ -	\$ -	\$ -	\$ 267,042	\$ 261,547	\$ 243,690
-	-	-	(267,042)	(261,547)	(243,690)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 27,347,250	\$ 25,778,279	\$ 26,978,250	\$ 26,704,226	\$ 26,154,685	\$ 24,369,023
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in assumptions

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in benefit terms

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – NET PENSION LIABILITY (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions

For fiscal year 2022, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in benefit terms

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NOTE 2 – NET OPEB LIABILITY (ASSET)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in assumptions

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare Trend Assumption

Fiscal year 2022	6.75 percent initially, decreasing to 4.40 percent
Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

NORTH OLMSTED CITY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – NET OPEB LIABILITY (ASSET) (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (continued)

Changes in assumptions (continued)

Medicare Trend Assumption

Fiscal year 2022	5.125 percent initially, decreasing to 4.40 percent
Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in benefit terms

There have been no changes to the benefit provisions.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Healthcare cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in benefit terms

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 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 .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

NORTH OLMSTED CITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – NET OPEB LIABILITY (ASSET) (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (continued)

Changes in benefit terms (continued)

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

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued.

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**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Grant Year	Federal AL Number	Pass Through Entity Identifying Number	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster					
School Breakfast Program	2022	10.553		\$ 309,626	
National School Lunch Program	2022	10.555		1,145,105	\$ 99,630
COVID19 - National School Lunch Program	2022	10.555		124,993	
Special Milk Program for Children	2022	10.556		43,892	
Total Nutrition Cluster				<u>1,623,616</u>	<u>99,630</u>
Total U.S. Department of Agriculture				<u>1,623,616</u>	<u>99,630</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education</i>					
Title I	2021	84.010		163,274	
Title I	2022	84.010		744,361	
Expanding Opportunities for Each Child	2022	84.010A		10,562	
Total Title I				<u>918,197</u>	<u>-</u>
Special Education Cluster					
IDEA Part B	2021	84.027		113,843	
IDEA Part B	2022	84.027		828,685	
COVID-19 - American Rescue Plan IDEA	2022	84.027X		84,390	
Subtotal IDEA Part B				<u>1,026,918</u>	<u>-</u>
Preschool Grant	2021	84.173		3,201	
Preschool Grant	2022	84.173		18,227	
COVID-19 - American Rescue Plan Preschool Grant	2022	84.173		9,328	
Subtotal Preschool Grant				<u>30,756</u>	<u>-</u>
Total Special Education Cluster				1,057,674	-
Title III English Language Acquisition	2021	84.365		5,137	
Title III English Language Acquisition	2022	84.365		28,379	
Total Title III English Language Acquisition				<u>33,516</u>	<u>-</u>
Title II-A Supporting Effective Instruction	2021	84.367		14,147	
Title II-A Supporting Effective Instruction	2022	84.367		89,652	
Total Title II-A Supporting Effective Instruction				<u>103,799</u>	<u>-</u>
Title IV-A Student Support and Academic Enrichment Program	2021	84.424		16,150	
Title IV-A Student Support and Academic Enrichment Program	2022	84.424		27,490	
Total Title II-A Supporting Effective Instruction				<u>43,640</u>	<u>-</u>
COVID-19 Emergency Relief Education Stabilization Fund	2022	84.425D		104,338	
COVID-19 Emergency Relief Education Stabilization Fund II	2022	84.425D		750,110	
COVID-19 - American Rescue Plan Homeless Relief	2022	84.425U		1,908	
Total Emergency Relief				<u>856,356</u>	<u>-</u>
COVID19 - Coronavirus Relief Fund	2021	21.019		2,483	
COVID19 - CRF Broadband Connectivity	2021	21.019		10,858	
Total Coronavirus Relief				<u>13,341</u>	<u>-</u>
Total U.S. Department of Education				<u>3,026,523</u>	<u>-</u>
Total Federal Financial Assistance				<u>\$ 4,650,139</u>	<u>\$ 99,630</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, 2022**

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, 2022. 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 the fair 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



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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2022, 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 1, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2023

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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Olmsted City School District's, Cuyahoga County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the North Olmsted City School District's major federal programs for the year ended June 30, 2022. North Olmsted City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the North Olmsted City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Keith Faber
Auditor of State
Columbus, Ohio

March 1, 2023

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**NORTH OLMSTED CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

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 #84.010 – Title I Grants to Local Educational Agencies; <u>Education Stabilization Fund:</u> AL #84.425D – Elementary and Secondary School Emergency Relief (ESSER I and II) Fund; AL #84.425U – American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund
(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 3/21/2023

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