



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	5
Statement of Activities – Cash Basis .....	6
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds .....	7
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Cash Basis Governmental Funds .....	8
Statement of Receipts, Cash Disbursements and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	9
Statement of Receipts, Cash Disbursements and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Special Levy Fund .....	10
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Fund .....	11
Notes to the Basic Financial Statements .....	13
Schedule of Expenditures of Federal Awards .....	45
Notes to the Schedule of Expenditures of Federal Awards .....	46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	47
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.....	49
Schedule of Findings .....	51
Prepared By Management:	
Summary Schedule of Prior Audit Findings .....	53
Corrective Action Plan .....	55

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Painesville City Local School District  
Lake County  
58 Jefferson Street  
Painesville, Ohio 44077

To the Board of Education:

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

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

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

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

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

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

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

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

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Efficient • Effective • Transparent

***Opinion***

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

***Accounting Basis***

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

***Emphasis of Matter***

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

***Other Matters***

***Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 9, 2022

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Painesville City Local School District  
Statement of Net Position - Cash Basis  
June 30, 2021

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	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,128,021</u>
Total Assets	<u>20,128,021</u>
Net Cash Position:	
Restricted for:	
Debt Service	1,898,841
Capital Projects	843,537
Classroom Facilities Maintenance	1,681,923
State Funded Programs	330,181
Federally Funded Programs	75,767
Special Levy	2,725,992
Food Service	374,745
Student Managed Activities	33,875
Scholarships	11,284
Other Purposes	290,697
Unrestricted	<u>11,861,179</u>
Total Net Cash Position	<u><u>\$20,128,021</u></u>

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2021

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$15,745,159	\$402,112	\$2,947,729	(\$12,395,318)
Special	8,263,548	173,770	5,175,578	(2,914,200)
Vocational	280,837	0	97,820	(183,017)
Other	3,737,017	0	93,123	(3,643,894)
<b>Support Services:</b>				
Pupil	2,798,435	0	565,255	(2,233,180)
Instructional Staff	1,492,056	40	605,118	(886,898)
General Administration	43,457	0	0	(43,457)
School Administration	3,572,715	0	577,347	(2,995,368)
Fiscal	735,745	4	101	(735,640)
Business	110,558	0	0	(110,558)
Operations and Maintenance	4,552,001	2,135	663,123	(3,886,743)
Pupil Transportation	1,018,759	10,248	371,448	(637,063)
Central	700,836	0	42,935	(657,901)
Operation of Non-Instructional Services	1,608,639	41,641	1,765,427	198,429
Extracurricular Activities	748,732	71,389	56,303	(621,040)
Intergovernmental	36,092	0	0	(36,092)
<b>Debt Service:</b>				
Principal Retirement	1,435,000	0	0	(1,435,000)
Interest and Fiscal Charges	491,745	0	0	(491,745)
<b>Totals</b>	<b>\$47,371,331</b>	<b>\$701,339</b>	<b>\$12,961,307</b>	<b>(33,708,685)</b>

**General Receipts:**

Property Taxes Levied for:

General Purposes	7,222,486
Special Revenue Purposes	1,115,604
Debt Service Purposes	1,651,761
Capital Projects Purposes	22,212
Grants and Entitlements, Not Restricted	26,863,369
Investment Earnings	127,712
Sale of Capital Assets	4,500
Other Receipts	1,469,070

Total General Receipts 38,476,714

Change in Net Cash Position 4,768,029

Net Cash Position - Beginning of Year, Restated 15,359,992

Net Cash Position - End of Year \$20,128,021

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2021

	General	Special Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$11,861,179</u>	<u>\$2,725,992</u>	<u>\$5,540,850</u>	<u>\$20,128,021</u>
<b>Total Assets</b>	<u>11,861,179</u>	<u>2,725,992</u>	<u>5,540,850</u>	<u>20,128,021</u>
<b>Fund Cash Balances:</b>				
Nonspendable	1,099	0	0	1,099
Restricted	0	2,725,992	5,540,850	8,266,842
Committed	433,222	0	0	433,222
Assigned	289,812	0	0	289,812
Unassigned	<u>11,137,046</u>	<u>0</u>	<u>0</u>	<u>11,137,046</u>
<b>Total Fund Cash Balances</b>	<u>\$11,861,179</u>	<u>\$2,725,992</u>	<u>\$5,540,850</u>	<u>\$20,128,021</u>

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021

	General	Special Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Property and Other Taxes	\$7,222,485	\$991,685	\$1,797,891	\$10,012,061
Tuition and Fees	575,581	0	0	575,581
Investment Earnings	72,614	0	38,842	111,456
Intergovernmental	29,954,775	0	9,869,903	39,824,678
Extracurricular Activities	20,948	0	70,814	91,762
Charges for Services	8,093	0	39,703	47,796
Other Receipts	1,384,094	0	87,432	1,471,526
<b>Total Receipts</b>	<b>39,238,590</b>	<b>991,685</b>	<b>11,904,585</b>	<b>52,134,860</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,632,689	1,197,692	2,914,778	15,745,159
Special	6,207,327	0	2,056,221	8,263,548
Vocational	280,217	0	620	280,837
Other	3,659,204	0	77,813	3,737,017
<b>Support Services:</b>				
Pupil	2,310,866	0	487,569	2,798,435
Instructional Staff	893,698	0	598,358	1,492,056
General Administration	43,457	0	0	43,457
School Administration	3,015,471	0	557,244	3,572,715
Fiscal	708,938	0	26,807	735,745
Business	110,558	0	0	110,558
Operations and Maintenance	3,541,439	0	1,010,562	4,552,001
Pupil Transportation	891,756	0	127,003	1,018,759
Central	657,894	0	42,942	700,836
Operation of Non-Instructional Services	7,564	0	1,601,075	1,608,639
Extracurricular Activities	597,367	0	151,365	748,732
Intergovernmental	36,092	0	0	36,092
<b>Debt Service:</b>				
Principal Retirement	0	0	1,435,000	1,435,000
Interest and Fiscal Charges	0	0	491,745	491,745
<b>Total Cash Disbursements</b>	<b>34,594,537</b>	<b>1,197,692</b>	<b>11,579,102</b>	<b>47,371,331</b>
<b>Excess of Receipts Over (Under) Cash Disbursements</b>	<b>4,644,053</b>	<b>(206,007)</b>	<b>325,483</b>	<b>4,763,529</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	4,500	0	0	4,500
<b>Total Other Financing Sources (Uses)</b>	<b>4,500</b>	<b>0</b>	<b>0</b>	<b>4,500</b>
<b>Net Change in Fund Cash Balance</b>	<b>4,648,553</b>	<b>(206,007)</b>	<b>325,483</b>	<b>4,768,029</b>
<b>Fund Cash Balance - Beginning of Year, Restated</b>	<b>7,212,626</b>	<b>2,931,999</b>	<b>5,215,367</b>	<b>15,359,992</b>
<b>Fund Cash Balance - End of Year</b>	<b>\$11,861,179</b>	<b>\$2,725,992</b>	<b>\$5,540,850</b>	<b>\$20,128,021</b>

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Receipts, Cash Disbursements and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Budgetary Basis Receipts:</b>				
Taxes	\$6,717,849	\$7,221,186	\$7,222,485	\$1,299
Tuition and Fees	533,917	573,921	574,024	103
Investment Earnings	67,540	72,601	72,614	13
Intergovernmental	27,626,103	29,695,998	29,701,339	5,341
Extracurricular Activities	15,120	16,253	16,256	3
Other Receipts	1,140,827	1,226,303	1,226,524	221
<b>Total Budgetary Basis Receipts</b>	<b>36,101,356</b>	<b>38,806,262</b>	<b>38,813,242</b>	<b>6,980</b>
<b>Budgetary Basis Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	13,274,818	11,612,126	11,612,126	0
Special	6,509,486	5,694,162	5,694,162	0
Vocational	307,704	269,164	269,164	0
Other	4,183,151	3,659,205	3,659,205	0
<b>Support Services:</b>				
Pupil	2,637,251	2,306,931	2,306,931	0
Instructional Staff	875,956	766,241	766,241	0
General Administration	49,679	43,457	43,457	0
School Administration	3,459,531	3,026,219	3,026,219	0
Fiscal	810,743	709,196	709,196	0
Business	127,606	111,623	111,623	0
Operations and Maintenance	3,909,180	3,419,549	3,419,549	0
Pupil Transportation	1,040,992	910,606	910,606	0
Central	753,108	658,780	658,780	0
Operation of Non-Instructional Services	8,027	7,022	7,022	0
Extracurricular Activities	683,427	597,827	597,827	0
<b>Total Budgetary Basis Disbursements</b>	<b>38,630,659</b>	<b>33,792,108</b>	<b>33,792,108</b>	<b>0</b>
<b>Excess of Budgetary Basis Receipts Over (Under)</b>				
Budgetary Basis Disbursements	(2,529,303)	5,014,154	5,021,134	6,980
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	4,186	4,500	4,500	0
Transfers In	1,772,296	1,905,086	1,905,429	343
Transfers (Out)	(2,658,455)	(2,325,479)	(2,325,479)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(881,973)</b>	<b>(415,893)</b>	<b>(415,550)</b>	<b>343</b>
<b>Net Change in Fund Balance</b>	<b>(3,411,276)</b>	<b>4,598,261</b>	<b>4,605,584</b>	<b>7,323</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>6,981,981</b>	<b>6,981,981</b>	<b>6,981,981</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$3,570,705</b>	<b>\$11,580,242</b>	<b>\$11,587,565</b>	<b>\$7,323</b>

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Receipts, Cash Disbursements and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2021

	Special Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Budgetary Basis Receipts:				
Taxes	\$1,042,579	\$991,685	\$991,685	\$0
Total Budgetary Basis Receipts	<u>1,042,579</u>	<u>991,685</u>	<u>991,685</u>	<u>0</u>
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	<u>1,309,525</u>	<u>1,197,692</u>	<u>1,197,692</u>	<u>0</u>
Total Budgetary Basis Disbursements	<u>1,309,525</u>	<u>1,197,692</u>	<u>1,197,692</u>	<u>0</u>
Net Change in Fund Balance	(266,946)	(206,007)	(206,007)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>2,931,996</u>	<u>2,931,996</u>	<u>2,931,996</u>	<u>0</u>
Fund Balance End of Year	<u>\$2,665,050</u>	<u>\$2,725,989</u>	<u>\$2,725,989</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Painesville City Local School District  
Statement of Changes in Fiduciary Net Position - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2021

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	<u>Custodial</u>
Additions:	
Extracurricular collections for OHSAA	<u>\$4,339</u>
Total Additions	<u>4,339</u>
Deductions:	
Extracurricular distributions to OHSAA	<u>4,339</u>
Total Deductions	<u>4,339</u>
Change in Net Cash Position	0
Net Cash Position - Beginning of Year, Restated	<u>0</u>
Net Cash Position - End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

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

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**Note 1 - Description of the District and Reporting Entity**

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**Description of the District**

The Painesville City Local School District (the "District"), located in Lake County, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 1, 2021 was 3,078. The District employed 240 certificated employees and 163 non-certificated employees. It currently operates six instructional facilities.

**Reporting Entity**

In accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District participates in three jointly governed organizations, a claims servicing pool, a shared risk pool and an insurance purchasing pool, that are further described in the notes to the financial statements.

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

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These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles general accepted in the United States of America (GAAP). Generally accepted accounting principles include all the relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**Fund Accounting**

The 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 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 District are grouped into the categories governmental and fiduciary.

**Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the District's major governmental funds:

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

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

Special Levy Fund – The special levy fund is from the Lake County School Financing District that is made up of Perry, Madison, Riverside and Painesville City Local Schools. The funds are to be used for educational programs and services.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Custodial funds account for monies held on behalf of others that do not meet the definition of a trust fund. The District's custodial fund accounts for athletic tournament monies collected and distributed on behalf of the Ohio High School Athletics Association.

**Basis of Presentation**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

The fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by fund type.

**Equity in Pooled Cash and Cash Equivalents**

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

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

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Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2021, the District invested in money market funds, negotiable certificates of deposit, U.S. Treasury Bills, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The District's money market fund investment is recorded at amount reported by the financial institution at June 30, 2021.

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

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest during the fiscal year amounted to \$72,614 credited to the general fund and \$38,842 credited to other governmental funds.

**Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected in the accompanying financial statements under the cash basis of accounting.

**Capital Assets**

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

**Accumulated Leave**

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

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

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**Interfund Activity**

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

**Employer Contributions to Cost-Sharing Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described later in the notes, the employer contributions include portions for pension benefits and may include portions for postretirement health care benefits.

**Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget**

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

**Estimated Resources**

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected receipts of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended 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 issued during fiscal year 2021.

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

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**Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than custodial funds, consistent with statutory provisions.

**Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated. While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, 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 Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) presented for the general fund and special levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than restricted, committed or assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund and special levy fund:

Net Change in Fund Cash Balance:

	General	Special Levy
Cash Basis	\$4,648,553	(\$206,007)
Adjustment for Encumbrances	(72,958)	0
Funds Budgeted Elsewhere	29,989	0
Budget Basis	<u>\$4,605,584</u>	<u>(\$206,007)</u>

**Fund Cash Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund cash balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

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

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**Nonspendable**

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

**Restricted**

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

**Assigned**

The assigned fund balance classifications are intended to be used by the 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. These amounts are assigned by the District’s Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official delegated by that authority by resolution or by State statute. State statute authorizes the District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned**

The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The 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.

**Net Cash Position**

Net cash position are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available.

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

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

**Note 3 - Equity in Pooled Cash and Cash Equivalents**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Cash Equivalents." State statute requires the classification of monies held by the District into three categories:

**Active Monies**

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

**Inactive Monies**

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

**Interim Deposits**

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

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

**Interim Monies**

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. Ohio law permits interim monies to be invested or deposited 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, \$206,586 of the District's bank balance of \$456,586 was exposed to custodial credit risk because it was uninsured and collateralized.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or



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

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Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

As of June 30, 2021, the District had the following investments (there were no long-term investments; for financial statement reporting purposes the investments below are considered cash equivalents):

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAR Ohio	\$14,407,261	N/A	0.15
Negotiable CD's	2,233,000	Level 2	0.97
U.S. Treasury Bills	2,924,754	Level 1	0.31
Money Market Funds	506,078	Level 1	0.00
Total Fair Value	\$20,071,093		
Portfolio Weighted Average Maturity			0.26

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2021. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices (Level 1 and Level 2 inputs).

**Interest Rate Risk**

In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

**Credit Risk**

It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Money Market Funds, U.S. Treasury Bills, and negotiable CD's were not rated by Standard & Poor's and Fitch Ratings and by Moody's Investors Service. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

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

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**Concentration of Credit Risk**

The District’s investment policy allows investments in Federal Agencies or Instrumentalities. All investments were issued or guaranteed by the federal government. At year end, the District’s allocations of investments (cash equivalents) were as follows: Money Market Accounts (2%), negotiable CD’s (11%), U.S. Treasury Bills (15%) and STAROhio (72%).

**Note 4 - Property Taxes**

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

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

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

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

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

	Second Half <u>2020 Amount</u>	First Half <u>2021 Amount</u>
Agricultural/Residential and Other Real Estate	\$182,695,620	\$184,295,900
Public Utility Personal	<u>2,927,970</u>	<u>2,883,170</u>
Total	<u><u>\$185,623,590</u></u>	<u><u>\$187,179,070</u></u>

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

**Note 5 – Debt**

**Long-Term Obligations**

The changes in the District’s long-term debt during fiscal year 2021 were as follows:

Governmental Activities	Maturity Dates	Beginning Balance	Increases	Decreases	Ending Balance	Due In One Year
<b>General Obligation Bonds:</b>						
2012 Advance Refunding of 2004 OSFC -						
Current Interest Bonds	12/1/32	\$705,000	\$0	(\$135,000)	\$570,000	\$135,000
Capital Appreciation Bonds	12/1/26	74,986	0	0	74,986	0
Accreted Interest	12/1/26	424,538	134,304	0	558,842	0
Premium on Refunding	12/1/32	668,432	0	(53,475)	614,957	0
2013 Advance Refunding of 2004 OSFC -						
Current Interest Bonds	12/1/32	7,870,000	0	0	7,870,000	590,000
Capital Appreciation Bonds	12/1/20	7,162	0	(7,162)	0	0
Accreted Interest	12/1/20	436,846	145,992	(582,838)	0	0
Premium on Refunding	12/1/32	833,764	0	(66,701)	767,063	0
2014 Advance Refunding of 2005 OSFC -						
Current Interest Bonds	12/1/24	3,725,000	0	(710,000)	3,015,000	725,000
Premium on Refunding	12/1/24	274,402	0	(54,881)	219,521	0
2019 Refunding of 2012 Advance Refunding						
Premium on Refunding	12/1/32	511,641	0	(39,257)	472,384	0
Total		<u>\$21,891,771</u>	<u>\$280,296</u>	<u>(\$1,649,314)</u>	<u>\$20,522,753</u>	<u>\$1,450,000</u>

**2012 Advance Refunding**

On June 14, 2012 the District issued \$8,345,000 in current interest bonds with an average interest rate of 3.18% with a maturity date of December 1, 2032 and \$74,986 in capital appreciation bonds with a maturity date of December 1, 2026 of which \$8,420,000 was used to partially advance refund \$16,945,000 of outstanding Ohio Schools Facilities Commission School (OSFC) Improvement Bonds with average interest rates of 4.87%. These bonds are being retired from the debt service fund.

**2013 Advance Refunding**

On February 28, 2013 the District issued \$8,490,000 in current interest bonds with an average interest rate of 2.781% with a maturity date of December 1, 2032 and \$34,995 in capital appreciation bonds with a maturity date of December 1, 2020 of which \$8,524,995 was used to partially advance refund \$16,945,000 of outstanding OSFC Improvement Bonds with average interest rates of 4.87%. These bonds are being retired from the debt service fund.

**2014 Advance Refunding**

On March 20, 2014 the District issued \$7,515,000 in current interest bonds with an average interest rate of 3.288% with a maturity date of December 1, 2024 and \$664,994 in capital appreciation bonds that matured on December 1, 2016 of which \$8,179,994 was used to partially advance refund \$8,525,007 of outstanding OSFC Improvement Bonds with average interest rates of 4.62%. These bonds are being retired from the debt service fund.

**2019 Current Refunding**

On November 26, 2019 the District issued \$6,360,000 in current interest bonds with an average interest rate of 3.00% with a maturity date of December 1, 2032 of which \$6,360,000 was used to partially currently refund \$6,715,000 of outstanding OSFC Improvement Bonds with average interest rates of 3.18%. These bonds are being retired from the debt service fund.

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

Principal and interest requirements to retire long-term debt obligation outstanding at year end are as follows:

Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$1,450,000	\$690,450	\$2,140,450	\$0	\$0	\$0
2023	1,485,000	655,077	2,140,077	0	0	0
2024	1,515,000	616,865	2,131,865	0	0	0
2025	1,565,000	577,212	2,142,212	0	0	0
2026	640,000	343,344	983,344	41,938	1,199,203	1,241,141
2027-2031	7,840,000	1,204,202	9,044,202	33,048	1,208,094	1,241,142
2032-2033	3,320,000	97,626	3,417,626	0	0	0
Total	<u>\$17,815,000</u>	<u>\$4,184,776</u>	<u>\$21,999,776</u>	<u>\$74,986</u>	<u>\$2,407,297</u>	<u>\$2,482,283</u>

**Note 6 – Lessor**

In 2021, the District entered into a 1-year lease with Lake-Geauga United Head Start to lease property. The lease meets the criteria of a lease and therefore has been recorded as a sale since all the benefits and risks of ownership have been transferred to the lessee. Rental payments received for during 2021 were \$152,617, while the annual payments for 2022 will be \$148,524.

**Note 7 - Defined Benefit Pension Plans**

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

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

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

The net pension/OPEB liability (asset) represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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 pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the

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

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employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

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

**Plan Description**

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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

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

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**Funding Policy**

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

The School District's contractually required contribution to SERS was \$713,283 for fiscal year 2021.

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

**Plan Description**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. 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.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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

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

---

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 fifty 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. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,403,624 for fiscal year 2021.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an 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	\$9,999,589	\$35,590,704	\$45,590,293
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15118340%	0.14790650%	
Prior Measurement Date	<u>0.15517080%</u>	<u>0.14904438%</u>	
Change in Proportionate Share	<u>-0.00398740%</u>	<u>-0.00113788%</u>	

**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

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

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service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the 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. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

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

**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	(6.50%)	(7.50%)	(8.50%)
Proportionate share of the net pension liability	\$13,698,215	\$9,999,589	\$6,896,370

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

---

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

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

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

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

**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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

---

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net pension liability	\$50,674,966	\$35,590,704	\$22,808,048

**Note 8 - Defined Benefit OPEB Plans**

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

See Note 7 for a description of the net OPEB liability (asset).

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

**Health Care Plan Description**

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

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

**Funding Policy**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$92,818.

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

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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 \$92,818 for fiscal year 2021.

**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](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy**

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

**Net OPEB Liability (Asset)**

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,287,199	\$0	\$3,287,199
Proportionate Share of the Net Pension (Asset)	0	(2,585,117)	(2,585,117)
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.15125190%	0.14709065%	
Prior Measurement Date	<u>0.15567690%</u>	<u>0.14904438%</u>	
Change in Proportionate Share	<u><u>-0.00442500%</u></u>	<u><u>-0.00195373%</u></u>	

**Actuarial Assumptions - SERS**

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

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

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

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

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

Inflation	3.00%
Wage Increases	3.50% to 18.20%
Investment Rate of Return	7.50% net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45%
Prior Measurement Date	3.13%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	2.63%
Prior Measurement Date	3.22%
Medical Trend Assumption:	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

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

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

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

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Proportionate share of the net OPEB liability	\$4,023,450	\$3,287,199	\$2,701,881
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$2,588,419	\$3,287,199	\$4,221,646

**Actuarial Assumptions - STRS**

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00% initial, 4% ultimate
Medicare	-6.69% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	6.50% initial, 4% ultimate
Medicare	11.87% initial, 4% ultimate

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

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

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

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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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 Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS 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, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

**Sensitivity of the 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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$2,249,219)	(\$2,585,117)	(\$2,870,112)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$2,852,422)	(\$2,585,117)	(\$2,259,498)



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

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**Since the Prior Measurement Date**

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

**Note 9 – Contingent Liabilities**

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**Grants**

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2021, if applicable, cannot be determined at this time.

**School Foundation**

In fiscal year 2021, School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Additional ODE adjustments for fiscal year 2021 have been finalized. FTE adjustments were not significant to the District.

**Litigation**

The District is not currently a party to any significant legal proceedings.

**Note 10 – Lake County School Financing District**

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The Board of Education of the Educational Service Center of the Western Reserve (formerly Lake County Educational Service Center) has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Ohio Revised Code, created a county school financing district known as the Lake County School Financing District (the “Financing District”) for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Educational Service Center of the Western Reserve acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Painesville City Local School District) each such Member District’s proportionate share of that tax settlement. Each Member District’s proportionate share is a fraction, the numerator being Member District’s total pupil population and the denominator being the aggregate pupil population of all Member Districts for that year.

**Note 11 – Jointly Governed Organizations**

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**Auburn Career Center**

The Auburn Career Center is a joint vocational school district, which is a jointly governed organization among eleven school districts. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

**Lake Geauga Computer Association**

The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was first formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen (18) member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the District's continued participation. LGCA is not accumulating significant financial resources or experiencing financial distress, which would cause additional financial benefits or burden on the District. Financial information can be obtained from: Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

**Ohio Schools Council Association**

The Ohio Schools Council Association (the Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting the Executive Secretary of the Ohio Schools Council at 6393 Oak Tree Blvd. #377, Independence, Ohio 44131.

The District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each month, these estimated payments are compared to their actual usage and any necessary adjustments are made.

**Note 12 – Claims Servicing Pool**

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The District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self-Insurance Program, a shared risk pool, comprised of nine Lake County school districts plus Lakeland Community College and Educational Service Center of the Western Reserve. Each district has a representative on the assembly (usually the superintendent or treasurer). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one or two year terms to serve on the Board of Directors.

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

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**Note 13 – Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the District contracted with Liberty Mutual Insurance for property and general liability insurance. There is a \$1,000,000 limit of liability.

Commercial umbrella liability is protected by Liberty Mutual Insurance with a \$10,000,000 single and aggregate occurrence limit. Vehicles are covered by Liberty Mutual Insurance and have a \$1,000 deductible for comprehensive collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

The District has elected to provide medical coverage through the Lake County Council of Governments Health Care Benefits Program, see note 12 for more information.

**Note 14 – OSBA Insurance Purchasing Pool**

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 15 – Set-Aside Requirements**

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The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

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

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	<u>Capital Improvements</u>
Set Aside Reserve Balance as of June 30, 2020	\$0
Current Year Set Aside Requirements	500,517
Current Year Offsets	<u>(15,950,129)</u>
Total	<u><u>(\$15,449,612)</u></u>
Set Aside Balance Carried Forward to Future Years	<u><u>\$0</u></u>
Set Aside Balance as of June 30, 2021	<u><u>\$0</u></u>

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

**Note 16 – Fund Balances**

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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 fund balance for the major governmental funds and all other governmental funds are presented on the next page:

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

Fund Balances	General	Special Levy	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Funds	\$1,099	\$0	\$0	\$1,099
<b>Total Nonspendable</b>	<b>1,099</b>	<b>0</b>	<b>0</b>	<b>1,099</b>
Restricted for:				
Other Grants	0	0	96,006	96,006
Special Levy	0	2,725,992	0	2,725,992
District Managed Student Activity	0	0	194,691	194,691
Miscellaneous State Grants	0	0	21,753	21,753
Title VI B	0	0	28,988	28,988
Scholarships	0	0	11,284	11,284
Student Wellness and Success	0	0	308,428	308,428
Title I	0	0	40,054	40,054
Preschool	0	0	1,263	1,263
Improving Teacher Grants	0	0	5,462	5,462
Student Managed Activity	0	0	33,875	33,875
Classroom Facilities Maintenance	0	0	1,681,923	1,681,923
Debt Service Payments	0	0	1,898,841	1,898,841
Food Service	0	0	374,745	374,745
Capital Improvements	0	0	843,537	843,537
<b>Total Restricted</b>	<b>0</b>	<b>2,725,992</b>	<b>5,540,850</b>	<b>8,266,842</b>
Committed to:				
Fund Deficit/Emergency	433,222	0	0	433,222
<b>Total Committed</b>	<b>433,222</b>	<b>0</b>	<b>0</b>	<b>433,222</b>
Assigned to:				
Public School Support	38,091	0	0	38,091
Budgetary Reserve	175,739	0	0	175,739
Encumbrances	75,982	0	0	75,982
<b>Total Assigned</b>	<b>289,812</b>	<b>0</b>	<b>0</b>	<b>289,812</b>
Unassigned	11,137,046	0	0	11,137,046
<b>Total Fund Balance</b>	<b>\$11,861,179</b>	<b>\$2,725,992</b>	<b>\$5,540,850</b>	<b>\$20,128,021</b>

**Note 17 – Interfund Transfers**

During the fiscal year 2021, there were no transfers or advances made.

**Note 18 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while

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

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material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**Note 19 – Implementation of New Accounting Principles and Restatement of Net Position**

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**New Accounting Principles**

For fiscal year 2021, the School District implemented GASB Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and GASB Statements No. 61.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

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

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

**Restatement of Fund Cash Balance/Net Cash Position**

The implementation of GASB 84 had the following effect on fund cash balance as reported at June 30, 2020:

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

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	Other Governmental Funds
Fund Cash Balance, June 30, 2020	\$5,169,259
Adjustments-Presentation Changes:	
GASB Statement No. 84	46,108
Restated Fund Cash Balance, June 30, 2020	<u>\$5,215,367</u>

The implementation of the GASB 84 pronouncement had the following effect on the net cash position as reported at June 30, 2020:

	Governmental Activities
Net Cash Position, June 30, 2020	\$15,313,884
Adjustments-Presentation Changes:	
GASB Statement No. 84	46,108
Restated Net Cash Position, June 30, 2020	<u>\$15,359,992</u>

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2020, agency funds reported assets and net cash position of \$34,917. Also, related to the implementation of GASB Statement No. 84, the entity will no longer be reporting private purpose trust funds. At June 30, 2020, private purpose funds reported a net position of \$11,191.

**Note 20 – COVID-19**

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

**Note 21 – Subsequent Events**

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

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PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	189,988
National School Lunch Program	10.555	384,730
National School Lunch program - Non Cash Assistance		95,267
Total National School Lunch Program		<u>479,997</u>
Summer Food Service Program for Children	10.559	259,223
COVID-19 Summer Food Service Program for Children		26,645
Total- Summer Food Service Program for Children		<u>285,868</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u><b>955,853</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education :</i>		
<u>Special Education Cluster</u>		
Special Education Grants to States	84.027	92,525
		585,021
Total Special Education Grants to States		<u>677,546</u>
Special Education Preschool Grants	84.173	1,541
		18,919
Total- Special Education Preschool Grants		<u>20,460</u>
Total Special Education Cluster		<u>698,006</u>
Title I Grants to Local Educational Agencies	84.010	106,163
		24,863
		114,154
		980,528
Total- Title I Grants to Local Educational Agencies		<u>1,225,708</u>
Supplemental School Improvement Grants	84.010	17,709
Expanding Opportunities	84.010	160,275
		24,477
Total -Expanding Opportunities		<u>184,752</u>
School Quality Improvement Grants	84.010	287,206
Total- Title I Grants to Local Educational Agencies		<u>1,715,375</u>
English Language Acquisition State Grants	84.365	320
		11,649
		136,305
Total- English Language Acquisition State Grants		<u>148,274</u>
Supporting Effective Instruction State Grants	84.367	19,976
		115,449
Total Supporting Effective Instruction State Grants		<u>135,425</u>
Expanding Human Capital Grants	84.367	9,661
Educator Rising Grants	84.367	690
Total- Supporting Effective Instruction State Grants		<u>145,776</u>
Student Support and Academic Enrichment Program	84.424	434
		63,677
Total- Student Support and Academic Enrichment Program		<u>64,111</u>
<u>Education Stabilization Fund:</u>		
COVID-19 Elementary and Secondary School Emergency Relief Fund I	84.425D	856,256
COVID-19 Elementary and Secondary School Emergency Relief Fund II		3,215,546
Total- Education Stabilization Fund:		<u>4,071,802</u>
Total U.S. Department of Education		<u><b>6,843,344</b></u>
<b>U.S. DEPARTMENT OF TREASURY</b>		
<i>Passed Through Ohio Department of Education:</i>		
COVID-19 Coronavirus Relief Fund	21.019	170,175
COVID-19 Coronavirus Relief Fund- Broadband Ohio Connectivity Grant		44,126
Total - Coronavirus Relief Fund		<u>214,301</u>
Total U.S. Department of Treasury		<u><b>214,301</b></u>
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		
<i>Passed Through The State Library of Ohio:</i>		
Grants to States	45.310	3,000
Total U.S. Institute of Museum and Library Services		<u><b>3,000</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$8,016,498</b></u>

The accompanying notes are an integral part of this schedule.

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

Painesville City Local School District  
Lake County  
58 Jefferson Street  
Painesville, Ohio 44077

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Painesville City Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 9, 2022



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

**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**

Painesville City Local School District  
Lake County  
58 Jefferson Street  
Painesville, Ohio 44077

To the Board of Education:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**Opinion on the Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 9, 2022

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Special Education cluster AL# 84.027 and 84.173</li> <li>➤ ESSER Fund AL#84.425D</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Not Low Risk

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

**FINDING NUMBER 2021-001**

**Annual Financial Report-Non GAAP Filing**

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

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

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

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

**Official's Response:** See Corrective Action Plan

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

None.





58 Jefferson Street  
Painesville, Ohio 44077

Telephone: (440) 392-5060  
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[www.pcls.net](http://www.pcls.net)

**BOARD OF EDUCATION**

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*Director, ELD Services*

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*Director, State and Federal Programs and Technology*

Wendy Camper  
*Director of Teaching and Learning*

Ivan Salgado  
*Director of Operations*

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	<b>Noncompliance Finding – Ohio Rev. Code § 117.38:</b> The District does not prepare GAAP basis financial statements.	Not Corrected	At this time, Painesville City Local Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective. Repeated as 2021-001.

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**PAINESVILLE CITY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2021**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2021-001	At this time, Painesville City Local Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective.	N/A	Sherri Samac, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**PAINESVILLE CITY LOCAL SCHOOL DISTRICT**

**LAKE 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 3/1/2022**

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

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