

SOLON CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

Single Audit

For the Year Ended June 30, 2021





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

Board of Education
Solon City School District
33800 Inwood Road
Solon, Ohio 44139

We have reviewed the *Independent Auditor's Report* of Solon City School District, Cuyahoga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 08, 2022

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**Solon City School District
Cuyahoga County**

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INDEPENDENT AUDITOR'S REPORT

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) is presented for purposes of 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Charles E. Harris & Associates, Inc.
December 27, 2021

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**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

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

Financial Highlights

Key financial highlights for 2021 are as follows:

- The District's net position of governmental activities increased \$2,277,981, which represents a 153.29% increase from 2020's net position.
- General revenues for governmental activities, accounted for \$82,051,511 in revenue or 94.43% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$4,838,473 or 5.57% of total governmental activities revenues of \$86,889,984.
- The District had \$84,612,003 in expenses related to governmental activities; only \$4,838,473 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$82,051,511 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$80,581,193 in revenues and \$81,126,151 in expenditures and other financing uses. The general fund's fund balance decreased \$544,958 from a balance of \$37,865,179 to \$37,320,221.
- The debt service fund had \$383,834 in revenues and \$682,452 in expenditures. The debt service fund's fund balance decreased \$298,618 from \$2,426,000 to \$2,127,382.

Using the Basic Financial Statements (BFS)

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Reporting the District as a Whole

Statement of net position and the statement of activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 21 - 22 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 23 - 27 of this report.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for a self-insurance program which provides medical, dental and vision benefits to employees. The basic proprietary fund financial statements can be found on pages 28 - 30 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities had no activity for fiscal year 2021.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31 - 72.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 74 - 91 of this report.

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**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2021 and 2020.

	Net Position - Governmental Activities	
	2021	2020
<u>Assets</u>		
Current and other assets	\$ 135,342,696	\$ 128,601,035
Net OPEB asset	5,179,754	4,889,150
Capital assets, net	48,822,654	46,349,655
Total assets	189,345,104	179,839,840
<u>Deferred outflows of resources</u>		
Unamortized deferred charges	55,160	77,329
Pension	16,538,034	16,813,984
OPEB	2,651,725	2,076,842
Total deferred outflows	19,244,919	18,968,155
<u>Liabilities</u>		
Current liabilities	14,239,712	11,885,198
Long-term liabilities:		
Due within one year	1,801,867	1,633,011
Due in more than one year:		
Net pension liability	93,073,184	85,527,514
Net OPEB liability	7,202,817	8,577,933
Other amounts	11,092,995	11,108,642
Total liabilities	127,410,575	118,732,298
<u>Deferred inflows of resources</u>		
Property taxes and PILOTS	65,108,375	64,274,813
Pension	1,826,612	5,473,875
OPEB	10,480,398	8,840,927
Total deferred inflows	77,415,385	78,589,615
<u>Net Position</u>		
Net investment in capital assets	42,162,445	40,638,441
Restricted	13,514,327	11,017,580
Unrestricted (deficit)	(51,912,709)	(50,169,939)
Total net position (deficit)	\$ 3,764,063	\$ 1,486,082

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

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

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2021, the District's assets plus deferred outflows of resources exceeded liabilities and deferred inflows by \$3,764,063.

Total assets of the District's governmental activities increased \$9,505,264 from June 30, 2020.

Current and other assets increased \$6,741,661 due to an increase in equity in pooled cash and investments and property taxes receivable. On May 8, 2018 the voters passed a new 8.5 mill incremental operating levy. The first increment of 1.6 mills became effective January 1, 2020 while the remaining 6.9 mills became effective January 1, 2021.

Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail.

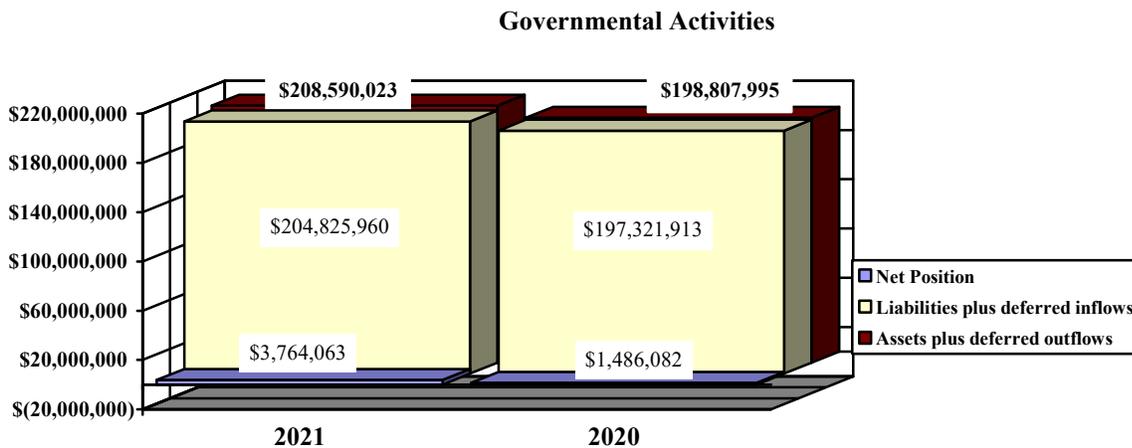
Deferred outflows related to OPEB increased primarily due to changes in assumptions by the School Employees Retirement System (SERS). See Note 14 for more detail.

Current and other liabilities increased primarily due to increases in contracts payable, claims payable, and accrued wages and benefits payable.

Long-term liabilities increased primarily due to an increase in the net pension liability. This liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

Deferred inflows related to OPEB increased primarily due to changes in the difference between expected and actual experience by SERS. See Note 14 for more detail.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2021 and 2020.



**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The table below shows the change in net position for fiscal years 2021 and 2020..

	Change in Net Position - Governmental Activities	
	2021	2020
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,583,352	\$ 3,459,667
Operating grants and contributions	3,255,121	2,593,277
General revenues:		
Property taxes	68,519,862	57,101,890
Payments in lieu of taxes	1,589,406	1,319,223
Grants and entitlements	11,441,102	11,317,380
Investment earnings	173,527	716,010
Increase (decrease) in fair value of investments	(105,367)	454,463
Miscellaneous	432,981	304,772
Total revenues	<u>86,889,984</u>	<u>77,266,682</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	39,207,941	39,869,495
Special	10,756,784	9,994,025
Vocational	272,774	181,524
Other	414,279	475,296
Support services:		
Pupil	5,013,866	4,829,437
Instructional staff	2,346,015	2,306,849
Board of education	33,314	38,861
Administration	4,832,153	4,775,306
Fiscal	1,868,659	1,820,027
Business	2,486,447	2,221,794
Operations and maintenance	8,424,302	7,430,088
Pupil transportation	3,865,474	3,609,322
Central	1,041,252	928,033
Operation of non-instructional services:		
Food service operations	1,488,619	1,703,970
Other non-instructional services	393,064	378,040
Extracurricular activities	2,100,077	2,595,631
Interest and fiscal charges	66,983	85,430
Total expenses	<u>84,612,003</u>	<u>83,243,128</u>
Change in net position	2,277,981	(5,976,446)
Net position at beginning of year	<u>1,486,082</u>	<u>7,462,528</u>
Net position at end of year	<u>\$ 3,764,063</u>	<u>\$ 1,486,082</u>

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

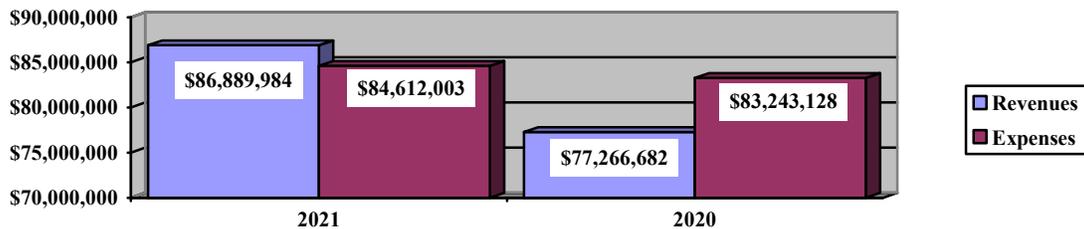
Governmental Activities

The net position of the District's governmental activities increased \$2,277,981. Total governmental expenses of \$84,612,003 were offset by program revenues of \$4,838,473. General revenues of \$82,051,511 were adequate to provide for these programs. Program revenues supported 5.72% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 92.03% of total governmental activities revenue. The increase in property tax revenue is primarily due to fluctuations in the amount collected by the County Fiscal Officer and available as advance at fiscal year-end. The amount collected and available as advance for the fiscal year end June 30, 2021, June 30, 2020, and June 30, 2019 was \$4,606,174, \$3,801,903, and \$9,668,550, respectively. The amount collected and available for advance can vary depending upon when tax bills are sent. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year on a GAAP -basis. Real estate property is reappraised every six years. Payments in lieu of taxes revenue increased due to increased revenue sharing and tax abatement agreements entered into by the District. Unrestricted grants and entitlements increased primarily due to receiving more from State funding in the form of Foundation payments. Investment earnings decreased as the District's interest rates decreased during fiscal year 2021. The District reported a decrease in the fair value of investments of \$105,367 for 2021. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. Miscellaneous revenue increased due to receiving more money from local sources.

Overall, expenses of the governmental activities increased \$1,368,875 or 1.64%. Special instruction expenditures increased \$762,759 from the prior fiscal year. Operations and maintenance expenditures increased \$994,214 due to increased maintenance and repair projects throughout the District as well as enacting safety precautions related to COVID-19.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2021 and 2020.

Governmental Activities - Revenues and Expenses



**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2021 and 2020. It identifies the cost of services supported by tax revenue and restricted State grants and entitlements. As stated above, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities.

Governmental Activities

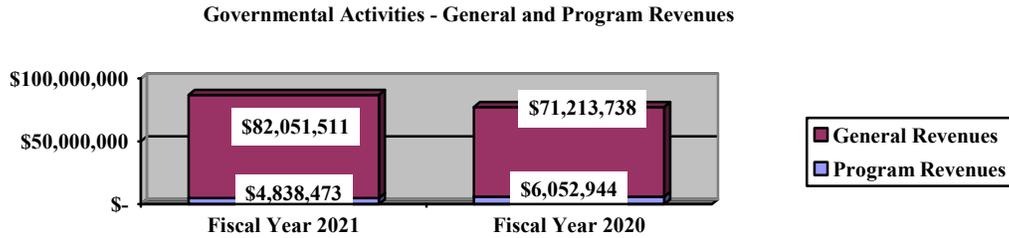
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Instruction:				
Regular	\$ 39,207,941	\$ 38,184,825	\$ 39,869,495	\$ 38,979,115
Special	10,756,784	9,968,504	9,994,025	9,247,915
Vocational	272,774	263,919	181,524	172,669
Other	414,279	23,965	475,296	70,335
Support services:				
Pupil	5,013,866	3,923,242	4,829,437	3,816,478
Instructional staff	2,346,015	2,271,470	2,306,849	2,195,345
Board of Education	33,314	33,314	38,861	38,861
Administration	4,832,153	4,832,153	4,775,306	4,775,306
Fiscal	1,868,659	1,868,659	1,820,027	1,820,027
Business	2,486,447	2,486,447	2,221,794	2,209,123
Operations and maintenance	8,424,302	8,413,992	7,430,088	7,300,984
Pupil transportation	3,865,474	3,810,336	3,609,322	3,500,822
Central	1,041,252	1,003,322	928,033	907,386
Food service operations	1,488,619	983,063	1,703,970	449,772
Operation of non-instructional services	393,064	9,786	378,040	(60,880)
Extracurricular activities	2,100,077	1,629,550	2,595,631	1,681,496
Interest and fiscal charges	66,983	66,983	85,430	85,430
Total expenses	<u>\$ 84,612,003</u>	<u>\$ 79,773,530</u>	<u>\$ 83,243,128</u>	<u>\$ 77,190,184</u>

The dependence upon general revenues during fiscal year 2021 for governmental activities is apparent, as 95.64% of 2021 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 94.28% in 2021. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2021 and 2020.



The District's Funds

During 2021 the District's governmental funds reported a combined fund balance of \$49,741,845, which is more than last year's total of \$47,571,294. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

	Fund Balance <u>June 30, 2021</u>	Fund Balance <u>June 30, 2020</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 37,320,221	\$ 37,865,179	\$ (544,958)	(1.44) %
Debt Service	2,127,382	2,426,000	(298,618)	(12.31) %
Other Governmental	<u>10,294,242</u>	<u>7,280,115</u>	<u>3,014,127</u>	41.40 %
Total	<u>\$ 49,741,845</u>	<u>\$ 47,571,294</u>	<u>\$ 2,170,551</u>	4.56 %

General Fund

The District's general fund balance decreased \$544,958 as expenditures exceeded revenues in the current year. Equity in pooled cash and investments in the general fund increased \$1,528,896 from \$44,580,764 at June 30, 2020 to \$46,109,660 at June 30, 2021. The District reported an increase in property taxes receivable due to the final incremental increase from a property tax levy approved by the voters on May 8, 2018.

The tables below assist in illustrating the financial activities of the general fund.

	2021 <u>Amount</u>	2020 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 66,095,449	\$ 55,236,838	\$ 10,858,611	19.66 %
Payment in lieu of taxes	1,214,057	690,186	523,871	75.90 %
Tuition	930,329	1,041,239	(110,910)	(10.65) %
Earnings on investments	173,102	756,309	(583,207)	(77.11) %
Increase (decrease) in fair value of investments	(105,367)	454,463	(559,830)	(123.18) %
Intergovernmental	11,590,881	11,472,301	118,580	1.03 %
Other revenues	<u>682,742</u>	<u>1,031,908</u>	<u>(349,166)</u>	(33.84) %
Total	<u>\$ 80,581,193</u>	<u>\$ 70,683,244</u>	<u>\$ 9,897,949</u>	14.00 %

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

	2021 <u>Amount</u>	2020 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 45,876,488	\$ 43,389,671	\$ 2,486,817	5.73 %
Support services	27,302,712	25,255,937	2,046,775	8.10 %
Operation of non-instructional services	108,635	164,022	(55,387)	(33.77) %
Extracurricular activities	1,470,301	1,617,361	(147,060)	(9.09) %
Facilities acquisition and construction	4,368,015	3,629,842	738,173	20.34 %
Total	<u>\$ 79,126,151</u>	<u>\$ 74,056,833</u>	<u>\$ 5,069,318</u>	6.85 %

The increase in property tax revenue for fiscal year 2021 primarily resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. For the general fund, the amount collected and available as advance for the fiscal year end June 30, 2021, June 30, 2020, and June 30, 2019, was \$4,462,671, \$3,665,307, and \$9,321,174, respectively. The amount collected and available for advance can vary depending upon when tax bills are sent. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting (GAAP). On the budgetary basis of accounting (cash-basis), property tax receipts, including payments in lieu of taxes, for the fiscal year end June 30, 2021, June 30, 2020, and June 30, 2019, were \$66,512,142, \$61,582,891, and \$54,218,228, respectively.

Payments in lieu of taxes revenue increased due to increased TIF agreements. The District reported a decrease in the fair value of investments of \$105,367 for 2021. District carries investments at cost but is required to report investments at fair value. Fluctuations in the fair value of investments is reported separately from interest earnings. The District intends to hold all investments to maturity thus eliminating the risk in fluctuations of fair value. Tuition revenues decreased due to decreased open enrollment. Intergovernmental increased primarily due to receiving more from State funding in the form of Foundation payments. Other revenues decreased due to the District receiving less rental income during the fiscal year.

Instruction expenditures increased mainly due to regular instruction services. Support services increased mainly due to operations and maintenance. Extracurricular expenditures decreased due to decreased student participation in activities. Facilities acquisition and construction increased due to the District undergoing a roof replacement project for many of the District's buildings. Overall, expenditures increased 6.85% from 2020. All other revenues and expenditures remained comparable to the prior fiscal year.

Debt Service Fund

The debt service fund had \$383,834 in revenues and \$682,452 in expenditures. The debt service fund's fund balance decreased \$298,618 from \$2,426,000 to \$2,127,382.

General Fund Budgeting Highlights

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

During fiscal year 2021, the District did not amend its general fund budgeted revenues and other financing sources. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original and final budgeted revenues and other financing sources were \$86,743,338. The actual revenues and other financing sources were \$80,634,475, which was \$6,108,863 lower than the final budget revenues.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

General fund final budgeted expenditures and other financing uses of \$104,261,484 was more than the original budgeted revenues estimate. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled \$92,011,715, which were \$12,249,769 less than final budgeted appropriations. The primary variance between the final appropriations and actual expenditures were in the areas of instruction-regular, instruction-special, support services-operations and maintenance, and facilities acquisition and construction.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2021, the District had \$48,822,654 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles. This entire amount was reported in governmental activities.

The table below shows fiscal year 2021 balances compared to 2020:

Capital Assets at June 30 (Net of Depreciation)

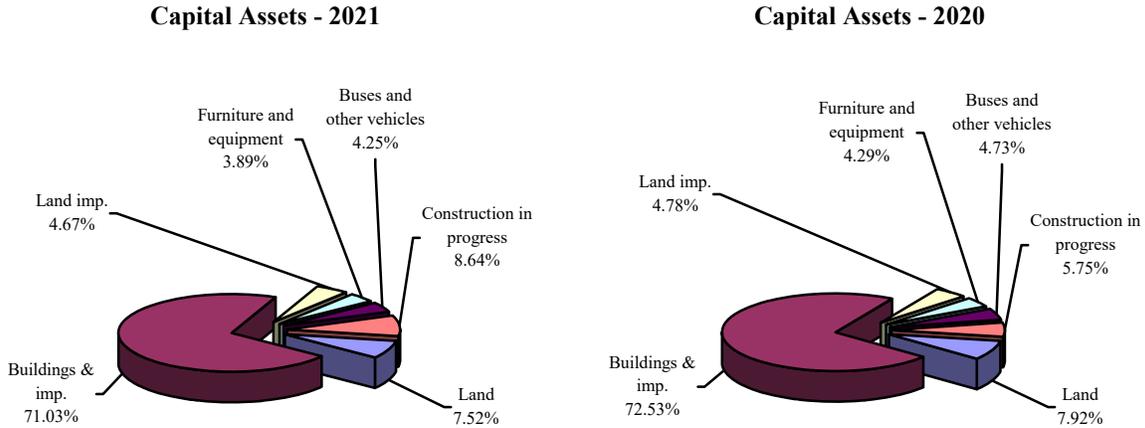
	Governmental Activities	
	2021	2020
Land	\$ 3,671,260	\$ 3,672,260
Land improvements	2,275,752	2,217,312
Buildings and improvements	34,681,024	33,617,901
Furniture and equipment	1,901,396	1,986,443
Buses and other vehicles	2,073,672	2,194,389
Construction in progress	4,219,550	2,661,350
Total	\$ 48,822,654	\$ 46,349,655

Total additions to governmental activities capital assets for 2021 were \$5,580,028. Governmental activities depreciation expense for fiscal year 2021 was \$2,707,988. Disposals net of accumulated depreciation were \$399,041. Overall, governmental activities capital assets of the District increased \$2,472,999.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The following graphs show the breakdown of the governmental activities capital assets by category for 2021 and 2020.



See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2021 the District had \$2,420,000 in general obligation bonds outstanding. Of this total, \$620,000 is due within one year and \$1,800,000 is due within greater than one year.

The following table summarizes the governmental activities debt outstanding.

Outstanding Debt, at Year End		
	Balance	Balance
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General obligation bonds	<u>\$ 2,420,000</u>	<u>\$ 3,020,000</u>

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

Current Financial Related Activities

Solon CSD has been consistently rated one of the top academic public school districts in the state of Ohio over the last couple of decades. The District has held the outstanding academic distinction of being rated an excellent public school district for 21 years. This distinction has been attained while only receiving approximately 5% of its total operating revenues from the State of Ohio's foundation funding formula. Local community and businesses have placed a significant emphasis on providing an outstanding education to its students, and have always supported the District.

The Board of Education and administration of the District are committed to careful financial planning and prudent fiscal management. An excellent working and supportive relationship exists between the District, the City of Solon, the Village of Glenwillow, the industrial community and the residents of the City.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Solon CSD is in a delicate position continuing to provide an excellent education while battling minimal state formula funding, as well as significant changes in Tangible Personal Property (TPP) tax law. TPP originally accounted for 17% of the District's operating revenues. As recent as fiscal year 2017, TPP reimbursements accounted for 12%, or \$8,300,000, of the District's operating revenues. A significant TPP reduction was realized by the district in fiscal year 2018, which resulted in actual TPP revenues being reduced to approximately \$4,800,000. An annual TPP phase-out of approximately \$770,000 per year exists until the District's entire remaining TPP funds are eliminated. TPP dollars anticipated to be received by the District in fiscal year 2021 are approximately \$2,700,000.

Significant financial items to note are:

Fiscal Year 2010 - Expenditure reductions of approximately \$1,500,000 per year.

Fiscal Year 2011 - Expenditure reductions of approximately \$2,700,000 per year. On May 4, 2010, the District passed a new 6.9 mill operating levy which began generating revenue in calendar year 2011.

Fiscal Year 2012 - Expenditure reductions of approximately \$2,700,000 per year, a reduced salary schedule for new certificated hires, and changes in insurance benefits. \$1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2013 – An additional \$1,200,000 per year in Tangible Personal Property state reimbursement revenues lost due to changes in State funding. This money is lost in perpetuity.

Fiscal Year 2014 - On November 5, 2013, the District passed a new 0.80 mill levy due to a long-term debt issuance being completely repaid and the tax bill being reduced by 0.80 mills. The new 0.80 levy was for 0.40 mills operating and 0.40 permanent improvements. The primary reason for this levy was to help offset increased costs attributed to Safety and Security. This levy began generating revenue in calendar year 2014.

Fiscal Year 2015 – The District was required to implement GASB 68 as discussed on pages 6 and 7. This required the District to report its proportionate share of the unfunded pension liability of District employee's retirement systems (STRS and SERS). The District makes all legally and contractually required contributions to the retirement systems; however, GASB 68 requires the District to report its proportionate share of the retirement systems unfunded pension liabilities. The unfunded liabilities may be alleviated in the future by increasing the employee and/or employer legally required contributions; however, this has not occurred and is not likely to occur in the near future.

Fiscal Year 2016 – The phase-out of additional Tangible Personal Property tax monies began once again, reducing TPP revenues by more than \$1,000,000 this year. However, the State provided temporary relief by backfilling additional monies on a temporary basis for fiscal year 2016 and 2017 in order to hold the district harmless.

Fiscal Year 2017 – The phase-out of additional Tangible Personal Property tax monies continued, reducing TPP revenues by more than \$1,000,000 this year. However, the State provided temporary relief by backfilling additional monies on a temporary basis for fiscal year 2016 and 2017 in order to hold the district harmless.

Fiscal Years 2018, 2019 and 2020 – In 2018 the Board acted to reduce debt millage by 1.60 mills effective with Calendar Year 2019 collections. On May 8, 2018 the District passed a new incremental tax levy of 8.50 mills. The collection of 1.60 operating mills began on January 1, 2019, while the remaining 6.90 operating mills began to be collected January 1, 2020.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Fiscal Year 2020 – The COVID-19 pandemic began in the United States in early calendar year 2020. This ultimately resulted in a downturn in the economy, which translated to budget reductions made by the State of Ohio to our District. Between the budget reductions by the State of Ohio (passed on to Solon CSD), and the increased expenditures, our District will lose a significant amount of money.

Fiscal Year 2021 – The COVID-19 pandemic began in the United States in early calendar year 2020. This ultimately resulted in a downturn in the economy. However, Federal Grant money was made available to school districts. This money will help alleviate some of the additional COVID expenses and lost State revenues.

The District closed out its fiscal year on June 30, 2021 on a positive note staying within the total appropriations approved by the Board of Education and spending what was anticipated for the year. The District's ability to carry its cost saving measures into fiscal year 2022 and beyond has continued to prove beneficial to the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tim Pickana, Treasurer of the Solon City School District at 33800 Inwood Road, Solon, Ohio 44139, or e-mail at timpickana@solonboe.org.

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**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 61,546,515
Receivables:	
Property taxes	70,833,671
Payment in lieu of taxes	1,783,814
Accrued interest	74,573
Intergovernmental	891,259
Prepayments	192,614
Materials and supplies inventory	7,347
Inventory held for resale	12,903
Net OPEB asset (Note 14)	5,179,754
Capital assets:	
Nondepreciable capital assets	7,890,810
Depreciable capital assets, net	40,931,844
Capital assets, net	48,822,654
Total assets	189,345,104
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	55,160
Pension (Note 13)	16,538,034
OPEB (Note 14)	2,651,725
Total deferred outflows of resources	19,244,919
 Liabilities:	
Accounts payable	1,038,901
Contracts payable	4,219,549
Accrued wages and benefits payable	6,319,383
Intergovernmental payable	113,069
Pension and postemployment benefits payable	1,565,435
Accrued interest payable	5,716
Unearned revenue	2,550
Claims payable	975,109
Long-term liabilities:	
Due within one year	1,801,867
Due in more than one year:	
Net pension liability (Note 13)	93,073,184
Net OPEB liability (Note 14)	7,202,817
Other amounts due in more than one year	11,092,995
Total liabilities	127,410,575
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	63,574,561
Payment in lieu of taxes levied for the next fiscal year	1,533,814
Pension (Note 13)	1,826,612
OPEB (Note 14)	10,480,398
Total deferred inflows of resources	77,415,385
 Net position:	
Net investment in capital assets	42,162,445
Restricted for:	
Capital projects	8,944,319
Debt service	2,135,190
State funded programs	58,255
Federally funded programs	749,171
Food service operations	596,064
Student activities	808,933
Other purposes	222,395
Unrestricted (deficit)	(51,912,709)
Total net position	\$ 3,764,063

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 39,207,941	\$ 478,893	\$ 544,223	\$ (38,184,825)
Special	10,756,784	504,962	283,318	(9,968,504)
Vocational	272,774	-	8,855	(263,919)
Other	414,279	-	390,314	(23,965)
Support services:				
Pupil	5,013,866	643	1,089,981	(3,923,242)
Instructional staff	2,346,015	-	74,545	(2,271,470)
Board of education	33,314	-	-	(33,314)
Administration	4,832,153	-	-	(4,832,153)
Fiscal	1,868,659	-	-	(1,868,659)
Business	2,486,447	-	-	(2,486,447)
Operations and maintenance	8,424,302	10,310	-	(8,413,992)
Pupil transportation	3,865,474	-	55,138	(3,810,336)
Central	1,041,252	-	37,930	(1,003,322)
Operation of non-instructional services:				
Food service operations	1,488,619	46,977	458,579	(983,063)
Other non-instructional services	393,064	71,305	311,973	(9,786)
Extracurricular activities	2,100,077	470,262	265	(1,629,550)
Interest and fiscal charges	66,983	-	-	(66,983)
Totals	\$ 84,612,003	\$ 1,583,352	\$ 3,255,121	(79,773,530)
General revenues:				
Property taxes levied for:				
				66,362,022
				349,574
				1,808,266
				1,589,406
				11,441,102
				173,527
				(105,367)
				432,981
				82,051,511
				2,277,981
				1,486,082
				\$ 3,764,063

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 46,109,660	\$ 2,100,776	\$ 10,385,197	\$ 58,595,633
Receivables:				
Property taxes	68,601,016	361,090	1,871,565	70,833,671
Payment in lieu of taxes	1,533,814	-	250,000	1,783,814
Accrued interest	74,573	-	-	74,573
Interfund loans	75,000	-	-	75,000
Intergovernmental	105,359	-	785,900	891,259
Prepayments	192,614	-	-	192,614
Materials and supplies inventory	1,317	-	6,030	7,347
Inventory held for resale	8,611	-	4,292	12,903
Total assets	<u>\$ 116,701,964</u>	<u>\$ 2,461,866</u>	<u>\$ 13,302,984</u>	<u>\$ 132,466,814</u>
Liabilities:				
Accounts payable	\$ 946,022	\$ -	\$ 78,087	\$ 1,024,109
Contracts payable	4,219,549	-	-	4,219,549
Accrued wages and benefits payable	6,271,364	-	48,019	6,319,383
Compensated absences payable	551,642	-	14,371	566,013
Intergovernmental payable	112,511	-	558	113,069
Pension and postemployment benefits payable	1,559,808	-	5,627	1,565,435
Interfund loans payable	-	-	75,000	75,000
Unearned revenue	2,550	-	-	2,550
Total liabilities	<u>13,663,446</u>	<u>-</u>	<u>221,662</u>	<u>13,885,108</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	61,569,029	320,960	1,684,572	63,574,561
Payment in lieu of taxes levied for the next fiscal year	1,533,814	-	-	1,533,814
Delinquent property tax revenue not available	2,569,316	13,524	70,096	2,652,936
Intergovernmental revenue not available	-	-	782,412	782,412
Accrued interest not available	46,138	-	-	46,138
Revenue in lieu of taxes not available	-	-	250,000	250,000
Total deferred inflows of resources	<u>65,718,297</u>	<u>334,484</u>	<u>2,787,080</u>	<u>68,839,861</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	1,317	-	6,030	7,347
Prepays	192,614	-	-	192,614
Unclaimed funds	66,420	-	-	66,420
Restricted:				
Debt service	-	2,127,382	-	2,127,382
Capital improvements	-	-	8,624,223	8,624,223
Food service operations	-	-	684,409	684,409
State funded programs	-	-	47,509	47,509
Extracurricular	-	-	808,933	808,933
Other purposes	-	-	155,975	155,975
Assigned:				
Student instruction	2,012,753	-	-	2,012,753
Student and staff support	4,684,465	-	-	4,684,465
Extracurricular activities	51,842	-	-	51,842
Facilities acquisition and construction	1,042,224	-	-	1,042,224
Subsequent year's appropriations	11,522,986	-	-	11,522,986
School supplies	280,091	-	-	280,091
Other purposes	575,028	-	-	575,028
Unassigned (deficit)	16,890,481	-	(32,837)	16,857,644
Total fund balances	<u>37,320,221</u>	<u>2,127,382</u>	<u>10,294,242</u>	<u>49,741,845</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 116,701,964</u>	<u>\$ 2,461,866</u>	<u>\$ 13,302,984</u>	<u>\$ 132,466,814</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

Total governmental fund balances		\$	49,741,845
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			48,822,654
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,652,936	
Payment in lieu of taxes receivable		250,000	
Accrued interest receivable		46,138	
Intergovernmental receivable		782,412	
Total			3,731,486
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,960,981
Unamortized premiums on bonds issued are not recognized in the funds.			(75,820)
Unamortized amounts on refundings are not recognized in the funds.			55,160
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(5,716)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		16,538,034	
Deferred inflows - pension		(1,826,612)	
Net pension liability		(93,073,184)	
Deferred outflows - OPEB		2,651,725	
Deferred inflows - OPEB		(10,480,398)	
Net OPEB asset		5,179,754	
Net OPEB liability		(7,202,817)	
Total			(88,213,498)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(2,420,000)	
Compensated absences		(9,833,029)	
Total			(12,253,029)
Net position of governmental activities		\$	3,764,063

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 66,095,449	\$ 348,288	\$ 1,801,150	\$ 68,244,887
Intergovernmental	11,590,881	35,546	2,963,134	14,589,561
Investment earnings	173,102	-	116	173,218
Tuition and fees	930,329	-	-	930,329
Extracurricular	105	-	434,682	434,787
Rental income	10,310	-	-	10,310
Charges for services	-	-	52,965	52,965
Contributions and donations	84,385	-	-	84,385
Payment in lieu of taxes	1,214,057	-	625,349	1,839,406
Miscellaneous	587,942	-	6,510	594,452
(Decrease) in fair value of investments	(105,367)	-	-	(105,367)
Total revenues	<u>80,581,193</u>	<u>383,834</u>	<u>5,883,906</u>	<u>86,848,933</u>
Expenditures:				
Current:				
Instruction:				
Regular	35,316,328	-	356,784	35,673,112
Special	10,299,062	-	48,412	10,347,474
Vocational	241,454	-	-	241,454
Other	19,644	-	397,236	416,880
Support services:				
Pupil	3,662,685	-	1,085,916	4,748,601
Instructional staff	2,179,396	-	47,577	2,226,973
Board of education	31,980	-	-	31,980
Administration	4,713,352	-	-	4,713,352
Fiscal	1,811,970	4,706	-	1,816,676
Business	2,452,934	-	-	2,452,934
Operations and maintenance	8,137,590	-	-	8,137,590
Pupil transportation	3,299,051	-	-	3,299,051
Central	1,013,754	-	-	1,013,754
Operation of non-instructional services:				
Food service operations	-	-	1,338,118	1,338,118
Other non-instructional services	108,635	-	281,989	390,624
Extracurricular activities	1,470,301	-	398,091	1,868,392
Facilities acquisition and construction	4,368,015	-	915,656	5,283,671
Debt service:				
Principal retirement	-	600,000	-	600,000
Interest and fiscal charges	-	77,746	-	77,746
Total expenditures	<u>79,126,151</u>	<u>682,452</u>	<u>4,869,779</u>	<u>84,678,382</u>
Excess of revenues over expenditures	<u>1,455,042</u>	<u>(298,618)</u>	<u>1,014,127</u>	<u>2,170,551</u>
Other financing sources (uses):				
Transfers in	-	-	2,000,000	2,000,000
Transfers (out)	(2,000,000)	-	-	(2,000,000)
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Net change in fund balances	(544,958)	(298,618)	3,014,127	2,170,551
Fund balances at beginning of year	<u>37,865,179</u>	<u>2,426,000</u>	<u>7,280,115</u>	<u>47,571,294</u>
Fund balances at end of year	<u>\$ 37,320,221</u>	<u>\$ 2,127,382</u>	<u>\$ 10,294,242</u>	<u>\$ 49,741,845</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$	2,170,551
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 5,580,028	
Current year depreciation	(2,707,988)	
Total		2,872,040
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(399,041)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	274,975	
Payment in lieu of taxes	(250,000)	
Earnings on investments	425	
Intergovernmental	15,651	
Total		41,051
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		600,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,558	
Amortization of bond premiums	31,374	
Amortization of deferred charges	(22,169)	
Total		10,763
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	6,843,505	
OPEB	182,203	
Total		7,025,708
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(11,017,862)	
OPEB	418,929	
Total		(10,598,933)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(508,678)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		1,064,520
Change in net position of governmental activities	\$	2,277,981

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 64,852,766	\$ 64,852,766	\$ 65,298,085	\$ 445,319
Intergovernmental	15,848,813	15,848,813	11,103,573	(4,745,240)
Investment earnings	263,217	263,217	184,408	(78,809)
Tuition and fees	1,229,843	1,229,843	861,620	(368,223)
Extracurricular	150	150	105	(45)
Rental income	17,135	17,135	12,005	(5,130)
Payment in lieu of taxes	1,732,898	1,732,898	1,214,057	(518,841)
Miscellaneous	2,469,999	2,469,999	1,730,465	(739,534)
Total revenues	<u>86,414,821</u>	<u>86,414,821</u>	<u>80,404,318</u>	<u>(6,010,503)</u>
Expenditures:				
Current:				
Instruction:				
Regular	34,996,311	41,151,564	37,757,030	3,394,534
Special	9,796,289	11,504,981	10,481,308	1,023,673
Vocational	375,217	435,277	368,419	66,858
Other	59,531	69,096	58,669	10,427
Support services:				
Pupil	3,438,347	4,041,855	3,701,987	339,868
Instructional staff	2,095,066	2,465,250	2,270,747	194,503
Board of education	40,285	47,353	43,357	3,996
Administration	4,336,705	5,106,506	4,722,046	384,460
Fiscal	1,720,364	2,022,002	1,850,282	171,720
Business	3,819,474	4,426,253	3,722,051	704,202
Operations and maintenance	10,156,317	11,857,571	10,435,691	1,421,880
Pupil transportation	3,799,117	4,445,668	3,966,023	479,645
Central	973,799	1,137,788	1,005,923	131,865
Extracurricular activities	1,361,450	1,602,984	1,481,594	121,390
Facilities acquisition and construction	10,388,847	11,704,699	8,071,588	3,633,111
Total expenditures	<u>87,357,119</u>	<u>102,018,847</u>	<u>89,936,715</u>	<u>12,082,132</u>
(Deficiency) of revenues (under) expenditures	<u>(942,298)</u>	<u>(15,604,026)</u>	<u>(9,532,397)</u>	<u>6,071,629</u>
Other financing sources (uses):				
Transfers (out)	(1,835,533)	(2,161,578)	(2,000,000)	161,578
Advances in	299,746	299,746	210,000	(89,746)
Advances (out)	(68,832)	(81,059)	(75,000)	6,059
Sale of capital assets	28,771	28,771	20,157	(8,614)
Total other financing sources (uses)	<u>(1,575,848)</u>	<u>(1,914,120)</u>	<u>(1,844,843)</u>	<u>69,277</u>
Net change in fund balance	(2,518,146)	(17,518,146)	(11,377,240)	6,140,906
Fund balance at beginning of year	37,953,529	37,953,529	37,953,529	-
Prior year encumbrances appropriated	4,816,224	4,816,224	4,816,224	-
Fund balance at end of year	<u>\$ 40,251,607</u>	<u>\$ 25,251,607</u>	<u>\$ 31,392,513</u>	<u>\$ 6,140,906</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and investments	\$ 2,950,882
Liabilities:	
Accounts payable	14,792
Claims payable	975,109
Total liabilities	<u>989,901</u>
Net position:	
Unrestricted	<u>1,960,981</u>
Total net position	<u>\$ 1,960,981</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 11,616,450
Operating expenses:	
Claims	10,551,930
Operating income/change in net position	1,064,520
Net position at beginning of year	<u>896,461</u>
Net position at end of year	<u>\$ 1,960,981</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 11,616,450
Cash payments for claims	<u>(10,375,697)</u>
Net cash provided by operating activities	<u>1,240,753</u>
Net increase in cash and cash investments	1,240,753
Cash and cash equivalents at beginning of year	<u>1,710,129</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,950,882</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,064,520
Changes in assets and liabilities:	
Increase in accounts payable	3,866
Increase in claims payable	<u>172,367</u>
Net cash provided by operating activities	<u><u>\$ 1,240,753</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Solon City School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under a locally elected five-member Board of Education and provides educational services as mandated by State and/or federal agencies. The District operates four elementary schools (K-4), one lower middle school (5-6), one upper middle school (7-8), and one high school (9-12). The Board oversees the operations of the District’s seven instructional facilities. The District employs 331 non-certified, 341 certified, and 17 administrative employees to provide services to approximately 4,790 students and community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The District is associated with a jointly governed organization and a public entity risk pool.

JOINTLY GOVERNED ORGANIZATION

The Ohio Schools’ Council Association

The Ohio Schools’ Council Association (Council) is a jointly governed organization among 247 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards in 34 Ohio counties. 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 terms rotate 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 William J. Zelei, the Executive Director of the Ohio Schools’ Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 161 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The District participates in the Council's electric purchase program. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for in the program for either a two-year period or an eight and one-half year period depending upon electric generation area. There are currently 185 program members in the program. FirstEnergy Solutions has been selected as the supplier for the program. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to the actual usage for the year and any necessary adjustments are made.

PUBLIC ENTITY RISK POOL

The Ohio Schools' Council Workers' Compensation Group Rating Program (the "Plan") is an insurance purchasing pool (See Note 11.C.). The plan is intended to reduce premiums for the participants. 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 Plan.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds. The District has only an internal service fund.

Internal service fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides medical, dental and vision benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for collections made on behalf of and for distribution to the Ohio High School Athletic Association. During fiscal year 2021, the District's custodial funds had no activity.

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported as donated commodities revenue with a like amount reported as materials and supplies expense in the proprietary fund statements.

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

E. Budgetary Process

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

F. Cash and Investments

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

During fiscal year 2021, investments were limited to Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, municipal bonds, taxable municipal bonds, negotiable certificates of deposit (negotiable CD's), and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices.

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$173,102 which includes \$40,287 assigned from other District funds.

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

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

G. Inventory

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

H. Capital Assets

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Land improvements	10 - 30 years
Buildings and improvements	20 - 40 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	8 years

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

A liability for sick leave is accrued using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable. For the District, nonspendable fund balance at year-end consisted of materials and supplies inventory and prepayments.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

M. Net Position

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

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

N. Non-Public Schools

Within the District boundaries are various non-public schools. Current state legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund (a nonmajor governmental fund) for financial reporting purposes.

O. Estimates

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenue.

Q. Interfund Activity

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2021, the District had no extraordinary or special items.

T. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

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

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

U. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

B. Deficit Fund Balances

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Auxiliary Services	\$ 1,568
Coronavirus relief fund	8,774
IDEA Part B	17,070
Title I	794
Improving teacher quality	3,449
Miscellaneous federal grants	1,182

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
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.

Protection of the 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.

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

A. Cash on Hand

At year end, the District had \$523 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2021, the carrying amount of all District deposits was \$12,640,722. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, \$6,233,816 of the District's bank balance of \$12,730,108 was exposed to custodial risk as discussed below, while \$262,476 was covered by the Federal Deposit Insurance Corporation and \$6,233,816 was collateralized through OPCS.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
<i>Fair Value:</i>						
FFCB	\$ 10,000,700	\$ -	\$ -	\$ 10,000,700	\$ -	\$ -
FHLB	13,690,245	-	-	-	-	13,690,245
FNMA	1,366,629	-	1,162,723	203,906	-	-
Municipal bonds	5,742,377	1,557,257	-	3,259,299	353,727	572,094
Taxable municipal bonds	151,697	-	151,697	-	-	-
Negotiable CDs	9,647,526	1,917,799	2,821,323	1,685,561	1,081,105	2,141,738
<i>Net Asset Value:</i>						
STAR Ohio	8,306,096	8,306,096	-	-	-	-
Total	\$ 48,905,270	\$ 11,781,152	\$ 4,135,743	\$ 15,149,466	\$ 1,434,832	\$ 16,404,077

The weighted average maturity of investments is 1.86 years.

The District's investments in federal agency securities (FFCB, FHLB, and FNMA), municipal bonds, taxable municipal bonds, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The municipal bonds were rated AA and AA2 by Standard & Poor's and Moody's Investor Services, respectively. The taxable municipal bonds were rated AAA and AA3 by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's were fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. The federal agency securities, municipal securities and corporate note are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FFCB	\$ 10,000,700	20.45%
FHLB	13,690,245	27.99%
FNMA	1,366,629	2.79%
Municipal bonds	5,742,377	11.74%
Taxable municipal bonds	151,697	0.31%
Negotiable CDs	9,647,526	19.73%
<i>Amortized Cost:</i>		
STAR Ohio	<u>8,306,096</u>	<u>16.99%</u>
Total	<u>\$ 48,905,270</u>	<u>100.00%</u>

D. Reconciliation of cash and investments to the statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 12,640,722
Investments	48,905,270
Cash on hand	<u>523</u>
Total	<u>\$ 61,546,515</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 61,546,515</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2021, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 75,000</u>

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund loans receivable/payable between governmental funds are eliminated for reporting on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 2,000,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on 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 is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available as an advance at June 30, 2021 was \$4,462,671 in the general fund, \$26,606 in the debt service fund and \$116,897 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$3,665,307 in the general fund, \$25,334 in the debt service fund and \$111,262 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,240,836,870	96.70	\$ 1,261,377,080	96.55
Public utility personal	<u>42,280,790</u>	<u>3.30</u>	<u>45,067,730</u>	<u>3.45</u>
Total	<u>\$ 1,283,117,660</u>	<u>100.00</u>	<u>\$ 1,306,444,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 89.10		\$ 89.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2021 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 70,833,671
Payments in lieu of taxes	1,783,814
Intergovernmental	891,259
Accrued interest	<u>74,573</u>
Total governmental activities	<u>\$ 73,583,317</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program within the taxing districts of the District. The EZAs and CRA program are direct incentive property tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, other governments have entered into such agreements. For the District, the City of Solon and the Village of Glenwillow have entered into agreements through these abatement programs that have caused a reduction to the District’s property tax revenues.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS - (Continued)

During fiscal year 2021, the District's property tax revenues were reduced as follows:

Government Entering Into Agreement	Tax Abatement Program		District Forgone Tax Revenue
	CRA	EZAs	
City of Solon	\$ 348,115	\$ 186,381	\$ 534,496
Village of Glenwillow	891,738	-	891,738
Total	<u>\$ 1,239,853</u>	<u>\$ 186,381</u>	<u>\$ 1,426,234</u>

During fiscal year 2021, the District received \$365,349 in compensation payments associated with the forgone property tax revenue. These compensation payments are reported as *payment in lieu of taxes* on the basic financial statements.

NOTE 9 - CAPITAL ASSETS

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

	Balance			Balance
	July 1, 2020	Additions	Deductions	June 30, 2021
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,672,260	\$ -	\$ (1,000)	\$ 3,671,260
Construction in progress	2,661,350	4,635,952	(3,077,752)	4,219,550
Total capital assets, not being depreciated	<u>6,333,610</u>	<u>4,635,952</u>	<u>(3,078,752)</u>	<u>7,890,810</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	6,149,578	446,413	-	6,595,991
Buildings and improvements	76,027,839	3,077,752	(271,292)	78,834,299
Furniture and equipment	11,547,219	-	(1,912,111)	9,635,108
Buses and other vehicles	5,586,357	497,663	(1,168,629)	4,915,391
Total capital assets, being depreciated	<u>99,310,993</u>	<u>4,021,828</u>	<u>(3,352,032)</u>	<u>99,980,789</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(3,932,266)	(387,973)	-	(4,320,239)
Buildings and improvements	(42,409,938)	(1,849,963)	106,626	(44,153,275)
Furniture and equipment	(9,560,776)	(85,047)	1,912,111	(7,733,712)
Buses and other vehicles	(3,391,968)	(385,005)	935,254	(2,841,719)
Total accumulated depreciation	<u>(59,294,948)</u>	<u>(2,707,988)</u>	<u>2,953,991</u>	<u>(59,048,945)</u>
Total capital assets, being depreciated, net	<u>40,016,045</u>	<u>1,313,840</u>	<u>(398,041)</u>	<u>40,931,844</u>
Governmental activities capital assets, net	<u>\$ 46,349,655</u>	<u>\$ 5,949,792</u>	<u>\$ (3,476,793)</u>	<u>\$ 48,822,654</u>

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,788,769
Special	38,011
Vocational	33,807
Support Services:	
Pupil	80,840
Instructional staff	22,788
Administration	27,187
Fiscal	1,437
Business	1,076
Operations and maintenance of plant	51,823
Pupil transportation	393,387
Central	1,076
Operation of non-instructional services:	
Food service operations	106,630
Extracurricular activities	161,157
Total depreciation expense	<u>\$ 2,707,988</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following.

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2021</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds:					
Series 2012 \$3,550,000 Refunding:					
Current interest - 1.0 - 3.75%	\$ 1,540,000	\$ -	\$ (365,000)	\$ 1,175,000	\$ 380,000
Series 2015, Refunding 2.13%					
Current interest 2.13%	<u>1,480,000</u>	<u>-</u>	<u>(235,000)</u>	<u>1,245,000</u>	<u>240,000</u>
Total G.O. bonds	<u>3,020,000</u>	<u>-</u>	<u>(600,000)</u>	<u>2,420,000</u>	<u>620,000</u>
Other long-term obligations:					
Net pension liability	85,527,514	7,545,670	-	93,073,184	-
Net OPEB liability	8,577,933	-	(1,375,116)	7,202,817	-
Compensated absences payable	<u>9,614,459</u>	<u>1,996,523</u>	<u>(1,211,940)</u>	<u>10,399,042</u>	<u>1,181,867</u>
Total other long-term obligations	<u>103,719,906</u>	<u>9,542,193</u>	<u>(2,587,056)</u>	<u>110,675,043</u>	<u>1,181,867</u>
Total governmental activities long-term obligations	106,739,906	9,542,193	(3,187,056)	113,095,043	1,801,867
Unamortized premiums	<u>107,194</u>	<u>-</u>	<u>(31,374)</u>	<u>75,820</u>	<u>-</u>
Total on statement of net position	<u>\$ 106,847,100</u>	<u>\$ 9,542,193</u>	<u>\$ (3,218,430)</u>	<u>\$ 113,170,863</u>	<u>\$ 1,801,867</u>

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences - will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

Net Pension Liability - More information on the District's net pension liability information can be found in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset - More information on the District's net OPEB liability/asset information can be found in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

General Obligation Bonds and Notes - will be repaid from property taxes in the debt service fund.

Series 2012 Refunding General Obligation Bonds

On July 17, 2012, the District issued general obligation bonds (Series 2012 Refunding Bonds) to advance refund the callable portion of the Series 2003 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue was comprised of current interest bonds, par value \$3,550,000. The interest rates on the current interest bonds range from 1.0 to 3.75 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by \$242,276. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Series 2015 Refunding General Obligation Bonds

On September 3, 2015, the District issued general obligation bonds (Series 2015 refunding bonds) to advance refund the callable portion of the Series 2005 school improvement bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position (see Note 10.B).

The refunding issue was comprised of current interest bonds, par value \$2,405,000. The interest rate on the current interest bonds is 2.13 percent. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

The reacquisition price exceeded the net carrying amount of the old debt by \$8,116. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

The following is a summary of the future debt service requirements to maturity for the District's general obligation bonds:

Fiscal Year Ending June 30	Current Interest General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 620,000	\$ 58,912	\$ 678,912
2023	635,000	39,797	674,797
2024	655,000	20,613	675,613
2025	250,000	8,201	258,201
2026	260,000	2,769	262,769
Total	\$ 2,420,000	\$ 130,292	\$ 2,550,292

B. Defeased Debt

In fiscal year 2013, the District issued Series 2012 refunding bonds to advance refund the callable portion of the Series 2003 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2021, the balance of the Series 2003 defeased debt outstanding, but removed from the financial statements, amounted to \$1,245,000.

In fiscal year 2016, the District issued Series 2015 refunding bonds to advance refund the callable portion of the Series 2005 school improvement bonds. The advance refunding created a separate irrevocable trust for the retirement of the refunded bonds. The new bonds were issued and the proceeds were used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt is considered defeased and has been removed from the District's financial statements. As of June 30, 2021, the balance of the Series 2005 defeased debt outstanding, but removed from the financial statements, amounted to \$1,330,000.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$117,287,415, including available funds of \$2,127,382, and an unvoted debt margin of \$1,306,445.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During 2021, the District contracted with Wright Specialty Insurance for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Property Coverage:	
Blanket buildings and contents	\$ 217,067,033
Inland Marine:	
School band uniforms and equipment	100,000
Athletic and other equipment	100,000
Musical instruments	100,000
Building and grounds equipment	100,000
EDP Equipment (incl. software)	500,000

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - RISK MANAGEMENT - (Continued)

Type of Coverage	Coverage
Commercial Crime Coverage:	
Theft, disappearance and destruction	\$ 50,000
Computer fraud	1,000,000
Forgery or alterations	1,000,000
Employee dishonesty	1,000,000
Flood Coverage	1,000,000
Earthquake Coverage	1,000,000
Commercial Computer Coverage:	
Equipment	500,000
Extra expense	5,000
Auto Liability	1,000,000
Uninsured Motorist	1,000,000
Commercial General Liability:	
Each occurrence	1,000,000
Damages to premises rented to you	500,000
Medical expense limit	15,000
Personal and advertising injury	1,000,000
General aggregate	2,000,000
Products/completed operations aggregate	2,000,000
Employers Stop Gap Liability:	
Bodily injury by accident	1,000,000
Bodily injury by disease	1,000,000
Aggregate limit	1,000,000
School Leaders Errors and Omissions:	
Each wrongful act limit	1,000,000
Aggregate limit	1,000,000
Non-monetary relief defense	100,000
Sexual Misconduct and Molestation Liability:	
Each loss limit	1,000,000
Aggregate limit	1,000,000
Innocent party aggregate defense expense	300,000
Employee Benefits Liability:	
Employee Benefits Injury	
Each employee limit	1,000,000
Aggregate limit	3,000,000
Law Enforcement Liability:	
Each wrongful act	1,000,000
Aggregate limit	1,000,000
Umbrella	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from fiscal year 2020.

B. Employee Benefits

The District has elected to contract with Medical Mutual of Ohio as a program administrator to provide medical benefits for employees through a self-insured program. These benefits are accounted for in the internal service fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$250,000 per employee.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - RISK MANAGEMENT - (Continued)

The internal service fund pays for the costs of providing claims servicing and claims payment. The premium charged for family and single coverage is \$850 per month for classified employees and certified employees. The benefits that are included in this lump sum premium are medical, dental, vision and life insurance.

The claims liability of \$975,109 reported in the internal service fund at June 30, 2021, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The balance of claims payable at June 30, 2021 represents an estimate of the liability for unpaid claims costs provided by Medical Mutual of Ohio.

Changes in the claims liability for the past three fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2021	\$ 802,742	\$ 10,548,064	\$ (10,375,697)	\$ 975,109
2020	605,502	9,284,062	(9,086,822)	802,742
2019	7,401	4,290,785	(3,692,684)	605,502

C. Workers' Compensation Program

For fiscal year 2021, the District participated in the Ohio Schools' Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan.

Each participant pays its Workers' Compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. Each year, the District pays an enrollment fee to the Plan to cover costs of administering the program

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement or separation with ten years of service credit, payment is made to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days, and for one-fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days for employees that retire within two years of retirement eligibility. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 75 days and 100 percent of 100 days for administrators

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - 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 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.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the 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 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 remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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

Plan Description - School Employees Retirement System (SERS)

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$1,652,469 for fiscal year 2021. Of this amount, \$5,627 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's contractually required contribution to STRS was \$5,191,036 for fiscal year 2021. Of this amount, \$819,452 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.33839440%	0.29519583%	
Proportion of the net pension liability current measurement date	<u>0.32899930%</u>	<u>0.29472299%</u>	
Change in proportionate share	<u>-0.00939510%</u>	<u>-0.00047284%</u>	
Proportionate share of the net pension liability	\$ 21,760,707	\$ 71,312,477	\$ 93,073,184
Pension expense	\$ 2,162,891	\$ 8,854,971	\$ 11,017,862

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 42,269	\$ 160,009	\$ 202,278
Net difference between projected and actual earnings on pension plan investments	1,381,366	3,467,933	4,849,299
Changes of assumptions	-	3,828,101	3,828,101
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	814,851	814,851
Contributions subsequent to the measurement date	<u>1,652,469</u>	<u>5,191,036</u>	<u>6,843,505</u>
Total deferred outflows of resources	<u>\$ 3,076,104</u>	<u>\$ 13,461,930</u>	<u>\$ 16,538,034</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 455,996	\$ 455,996
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>396,115</u>	<u>974,501</u>	<u>1,370,616</u>
Total deferred inflows of resources	<u>\$ 396,115</u>	<u>\$ 1,430,497</u>	<u>\$ 1,826,612</u>

\$6,843,505 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (270,654)	\$ 2,116,623	\$ 1,845,969
2023	289,908	1,383,398	1,673,306
2024	575,782	1,816,673	2,392,455
2025	432,484	1,523,703	1,956,187
Total	\$ 1,027,520	\$ 6,840,397	\$ 7,867,917

Actuarial Assumptions - SERS

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

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

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

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

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

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 29,809,511	\$ 21,760,707	\$ 15,007,607

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

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

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 101,536,552	\$ 71,312,477	\$ 45,700,091

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 13 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

**SOLON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$182,203.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$182,203 for fiscal year 2021. Of this amount, \$182,203 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.34109940%	0.29519583%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.33141890%</u>	<u>0.29472299%</u>	
Change in proportionate share	<u>-0.00968050%</u>	<u>-0.00047284%</u>	
Proportionate share of the net OPEB liability	\$ 7,202,817	\$ -	\$ 7,202,817
Proportionate share of the net OPEB asset	\$ -	\$ 5,179,754	\$ 5,179,754
OPEB expense	\$ (113,236)	\$ (305,693)	\$ (418,929)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 94,602	\$ 331,898	\$ 426,500
Net difference between projected and actual earnings on OPEB plan investments	81,161	181,535	262,696
Changes of assumptions	1,227,829	85,503	1,313,332
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	193,543	273,451	466,994
Contributions subsequent to the measurement date	<u>182,203</u>	<u>-</u>	<u>182,203</u>
Total deferred outflows of resources	<u>\$ 1,779,338</u>	<u>\$ 872,387</u>	<u>\$ 2,651,725</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 3,663,135	\$ 1,031,735	\$ 4,694,870
Changes of assumptions	181,422	4,919,898	5,101,320
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>480,395</u>	<u>203,813</u>	<u>684,208</u>
Total deferred inflows of resources	<u>\$ 4,324,952</u>	<u>\$ 6,155,446</u>	<u>\$ 10,480,398</u>

\$182,203 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (528,260)	\$ (1,335,263)	\$ (1,863,523)
2023	(522,388)	(1,212,390)	(1,734,778)
2024	(523,341)	(1,169,286)	(1,692,627)
2025	(549,025)	(1,077,688)	(1,626,713)
2026	(444,264)	(238,024)	(682,288)
Thereafter	(160,539)	(250,408)	(410,947)
Total	\$ (2,727,817)	\$ (5,283,059)	\$ (8,010,876)

Actuarial Assumptions - SERS

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

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of 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:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
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% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

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

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability for June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, 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. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (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 (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 8,816,069	\$ 7,202,817

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 5,671,671	\$ 7,202,817

**SOLON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

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

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

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes 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.

**SOLON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 4,506,721	\$ 5,179,754

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 5,715,348	\$ 5,179,754

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$(11,377,240)
Net adjustment for revenue accruals	(134,561)
Net adjustment for expenditure accruals	(1,463,224)
Net adjustment for other sources/uses	(155,157)
Funds budgeted elsewhere **	(13,712)
Adjustment for encumbrances	<u>12,598,936</u>
GAAP basis	<u>\$ (544,958)</u>

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the adult education fund, and the public school support fund.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	812,328
Current year offsets	<u>(812,328)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u><u>\$ -</u></u>

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 18 - PAYMENT IN LIEU OF TAXES

A. Foreign Trade Zone and Community Reinvestment Area Tax Abatements

In March 2004, Swagelok Company, located within the District’s limits, applied for and received an activated permanent General Purpose Foreign Trade Zone and a Community Reinvestment Area Tax Abatement in connection with a proposed expansion project. In connection with the above, the District entered into a Revenue Sharing Agreement with the Village of Glenwillow to compensate the District for a loss of anticipated revenues resulting from the Community Reinvestment Area and Foreign Trade Zone tax exemptions. During fiscal year 2021, the District received \$492,053 in revenue as a result of the Revenue Sharing Agreement with the Village. As part of the CRA agreement, Swagelok Company agreed to pay the District \$250,000 in fiscal year 2019 and each of the next three years. A corresponding receivable in the amount of \$250,000 has been recorded in the permanent improvement fund (a nonmajor governmental fund). In addition, the District received a one-time payment of \$100,000 in fiscal year 2019 related to the agreement. In total, the District received a total of \$492,053 of payments in the permanent improvement fund (a nonmajor governmental fund) in fiscal year 2021 related to these agreements.

B. Tax Increment Financing Payments

The District receives TIF payments through the tax settlement process. During fiscal year 2021, the District received \$1,214,057 in TIF payments in the general fund.

C. Enterprise Zone Revenue Sharing and Tax Abatement Agreements

The District received payment in lieu of taxes from an enterprise zone revenue sharing agreement with the City of Solon. In addition, the District receives payment in lieu of taxes related to various tax abatement and other agreements entered into by the District. During fiscal year 2021, the District received \$133,296 of payments in the permanent improvement fund (a nonmajor governmental fund) related to these agreements.

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 7,596,465
Nonmajor governmental	<u>666,459</u>
Total	<u>\$ 8,262,924</u>

NOTE 20 - COVID-19

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

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 20 - COVID-19 - (Continued)

During fiscal year 2021, the District received \$551,466 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund and the Elementary and Secondary School Emergency Relief Special Revenue Fund.

NOTE 21 - SUBSEQUENT EVENT

For fiscal year 2022, 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 District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$722,172 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each District. The District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.32899930%	0.33839440%	0.34329770%	0.32676650%
District's proportionate share of the net pension liability	\$ 21,760,707	\$ 20,246,730	\$ 19,661,295	\$ 19,523,577
District's covered payroll	\$ 11,536,336	\$ 11,590,570	\$ 11,321,830	\$ 10,945,643
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.63%	174.68%	173.66%	178.37%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2017	2016	2015	2014
0.34486630%	0.33905270%	0.34192300%	0.34192300%
\$ 25,241,031	\$ 19,346,676	\$ 17,304,528	\$ 20,333,063
\$ 10,712,536	\$ 10,207,253	\$ 9,935,599	\$ 9,605,448
235.62%	189.54%	174.17%	211.68%
62.98%	69.16%	71.70%	65.52%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.29472299%	0.29519583%	0.29691282%	0.28540240%
District's proportionate share of the net pension liability	\$ 71,312,477	\$ 65,280,784	\$ 65,284,463	\$ 67,797,952
District's covered payroll	\$ 35,627,300	\$ 34,894,557	\$ 33,898,414	\$ 31,951,221
District's proportionate share of the net pension liability as a percentage of its covered payroll	200.16%	187.08%	192.59%	212.19%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2017	2016	2015	2014
0.29390619%	0.29267132%	0.30402166%	0.30402166%
\$ 98,379,261	\$ 80,885,792	\$ 73,948,589	\$ 88,087,076
\$ 31,273,721	\$ 30,858,793	\$ 31,062,615	\$ 32,557,777
314.57%	262.12%	238.06%	270.56%
66.80%	72.10%	74.70%	69.30%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,652,469	\$ 1,615,087	\$ 1,564,727	\$ 1,528,447
Contributions in relation to the contractually required contribution	<u>(1,652,469)</u>	<u>(1,615,087)</u>	<u>(1,564,727)</u>	<u>(1,528,447)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,803,350	\$ 11,536,336	\$ 11,590,570	\$ 11,321,830
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,532,390	\$ 1,499,755	\$ 1,345,316	\$ 1,377,074	\$ 1,329,394	\$ 1,281,853
<u>(1,532,390)</u>	<u>(1,499,755)</u>	<u>(1,345,316)</u>	<u>(1,377,074)</u>	<u>(1,329,394)</u>	<u>(1,281,853)</u>
<u>\$ -</u>					
\$ 10,945,643	\$ 10,712,536	\$ 10,207,253	\$ 9,935,599	\$ 9,605,448	\$ 9,530,506
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 5,191,036	\$ 4,987,822	\$ 4,885,238	\$ 4,745,778
Contributions in relation to the contractually required contribution	<u>(5,191,036)</u>	<u>(4,987,822)</u>	<u>(4,885,238)</u>	<u>(4,745,778)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,078,829	\$ 35,627,300	\$ 34,894,557	\$ 33,898,414
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 4,473,171	\$ 4,378,321	\$ 4,320,231	\$ 4,038,140	\$ 4,232,511	\$ 4,097,199
<u>(4,473,171)</u>	<u>(4,378,321)</u>	<u>(4,320,231)</u>	<u>(4,038,140)</u>	<u>(4,232,511)</u>	<u>(4,097,199)</u>
<u>\$ -</u>					
\$ 31,951,221	\$ 31,273,721	\$ 30,858,793	\$ 31,062,615	\$ 32,557,777	\$ 31,516,915
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.33141890%	0.34109940%	0.34705760%	0.33102040%
District's proportionate share of the net OPEB liability	\$ 7,202,817	\$ 8,577,933	\$ 9,628,315	\$ 8,883,718
District's covered payroll	\$ 11,536,336	\$ 11,590,570	\$ 11,321,830	\$ 10,945,643
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	62.44%	74.01%	85.04%	81.16%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2017

0.34804316%

\$ 9,920,518

\$ 10,712,536

92.61%

11.49%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability/asset	0.29472299%	0.29519583%	0.29691282%	0.28540240%
District's proportionate share of the net OPEB liability/(asset)	\$ (5,179,754)	\$ (4,889,150)	\$ (4,771,085)	\$ 11,135,349
District's covered payroll	\$ 35,627,300	\$ 34,894,557	\$ 33,898,414	\$ 31,951,221
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.54%	14.01%	14.07%	34.85%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2017

0.29390619%

\$ 15,718,179

\$ 31,273,721

50.26%

37.33%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 182,203	\$ 165,693	\$ 239,491	\$ 238,695
Contributions in relation to the contractually required contribution	<u>(182,203)</u>	<u>(165,693)</u>	<u>(239,491)</u>	<u>(238,695)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,803,350	\$ 11,536,336	\$ 11,590,570	\$ 11,321,830
Contributions as a percentage of covered payroll	1.54%	1.44%	2.07%	2.11%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 177,768	\$ 169,929	\$ 247,733	\$ 170,859	\$ 155,832	\$ 195,709
<u>(177,768)</u>	<u>(169,929)</u>	<u>(247,733)</u>	<u>(170,859)</u>	<u>(155,832)</u>	<u>(195,709)</u>
<u>\$ -</u>					
\$ 10,945,643	\$ 10,712,536	\$ 10,207,253	\$ 9,935,599	\$ 9,605,448	\$ 9,530,506
1.62%	1.59%	2.43%	1.72%	1.62%	2.05%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 37,078,829	\$ 35,627,300	\$ 34,894,557	\$ 33,898,414
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 334,231	\$ 325,578	\$ 315,169
-	-	-	(334,231)	(325,578)	(315,169)
<u>\$ -</u>					
\$ 31,951,221	\$ 31,273,721	\$ 30,858,793	\$ 31,062,615	\$ 32,557,777	\$ 31,516,915
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2021.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

**SOLON CITY SCHOOL DISTRICT
 CUYAHOGA 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 ALN Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster		
National School Lunch Program - Cash Assistance	10.555	\$ 365,111
National School Lunch Program - COVID Relief Fund	10.555	32,036
National School Lunch Program - Non-Cash Assistance	10.555	<u>50,498</u>
Total Child Nutrition Cluster		<u>447,645</u>
Total U.S. Department of Agriculture		<u>447,645</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed Through Ohio Department of Education</i>		
Coronavirus Relief Fund	21.019	<u>229,167</u>
Total U.S. Department of Treasury		<u>229,167</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I		
Title I Grants to Local Education Agencies	84.010	396,442
Expanding Oppurtunities	84.010	<u>3,836</u>
Total Title I		400,278
Special Education Cluster		
Special Education Grants to States - IDEA Part B	84.027	883,242
Special Education Grants to States - Parent Mentor	84.027	2,000
Special Education Preschool Grants	84.173	<u>18,203</u>
Total Special Education Cluster		903,445
Title III		
English Language Acquisition Grants - Language Instruction	84.365	21,617
English Language Acquisition Grants - Immigrant	84.365	<u>4,757</u>
Total Title III		26,374
Title II-A Supporting Effective Instruction	84.367	55,533
Title IV-A Student Support and Academic Enrichment	84.424	24,544
Education Stabilization Fund	84.425	<u>306,073</u>
Total U.S. Department of Education		<u>1,716,247</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,393,059</u></u>

The accompanying notes are an integral part of this schedule.

**SOLON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL 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 Solon City School District (the District) under programs of the federal government for the fiscal year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Solon City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 27, 2021.

Purpose of this Report

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

Charles Harris Associates

Charles E. Harris & Associates, Inc.
December 27, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Solon City School District
Cuyahoga County
33800 Inwood Road
Solon, Ohio 44139

To the Board of Education:

Report on Compliance for the Major Federal Programs

We have audited the Solon City School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Programs

In our opinion, the Solon City School District, Cuyahoga County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris & Associates, Inc.
December 27, 2021

Solon City School District
 Cuyahoga County
 Schedule of Findings
 2 CFR § 200.515
 June 30, 2021

1. SUMMARY OF AUDITOR’S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	- Coronavirus Relief Fund – ALN #21.019 - Education Stabilization Fund – ALN #84.425
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



OLON CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/22/2022

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