

**CUYAHOGA VALLEY  
CAREER CENTER**  
CUYAHOGA COUNTY, OHIO

**SINGLE AUDIT**

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



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Cuyahoga Valley Career Center  
8001 Brecksville Road  
Brecksville, Ohio 44141

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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 25, 2021

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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CUYAHOGA COUNTY, OHIO**

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## Independent Auditor's Report

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

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 Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cuyahoga Valley Career Center's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cuyahoga Valley Career Center'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 Cuyahoga Valley Career Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of June 30, 2020, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general and adult education funds for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matters*

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

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Cuyahoga Valley Career Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cuyahoga Valley Career Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cuyahoga Valley Career Center's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 30, 2020



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

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

**Financial Highlights**

Key financial highlights for 2020 are as follows:

- In total, net position of governmental activities increased \$917,629, which represents a 4.93% increase from 2019's restated net position.
- General revenues accounted for \$14,931,287 in revenue or 87.65% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$2,103,178 or 12.35% of total revenues of \$17,034,465.
- The District had \$16,116,836 in expenses related to governmental activities; \$2,103,178 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,931,287 were more than adequate to provide for these programs.
- The District's largest major governmental fund is the general fund. The general fund had \$15,099,325 in revenues and \$15,820,442 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance decreased from a restated balance of \$17,304,685 to \$16,584,026.
- The fund balance of the District's adult education fund increased \$92,372 from a deficit of \$108,633 to a deficit of \$14,200.
- The fund balance of the District's permanent improvement fund increased \$572,063 from \$3,052,744 to \$3,624,807.

**Using this Annual Financial Report**

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" 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.

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

The District's statement of net position and statement of activities can be found on pages 17-18 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 13. 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, permanent improvement fund and adult education fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-24 of this report.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a special revenue fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in a custodial fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-71 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the net pension liability and net OPEB liability in this report on pages 72-87.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position for June 30, 2020 and June 30, 2019. See Note 3.B for detail on the restatement for the implementation of GASB No. 84.

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

|   | <b>Net Position</b>                |  |
|---|------------------------------------|--|
|   | Governmental<br>Activities<br>2020 | (Restated)<br>Governmental<br>Activities<br>2019 |
| <b><u>Assets</u></b>  |                                    |  |
| Current and other assets                                    | \$ 33,588,429                      | \$ 32,249,169                                    |
| Net OPEB asset  | 877,733                            | 839,867  |
| Capital assets  | <u>16,429,984</u>                  | <u>14,892,795</u>                                |
| Total assets  | <u>50,896,146</u>                  | <u>47,981,831</u>                                |
| <b><u>Deferred outflows of resources</u></b>                |                                    |  |
| Pension   | 2,954,833                          | 3,831,020  |
| OPEB  | <u>288,003</u>                     | <u>150,932</u>                                   |
| Total deferred outflows of resources                        | <u>3,242,836</u>                   | <u>3,981,952</u>                                 |
| <b><u>Liabilities</u></b>                                   |                                    |  |
| Current liabilities   | 2,057,731                          | 1,645,389  |
| Long-term liabilities:                                      |                                    |  |
| Due within one year   | 112,178                            | 135,289  |
| Due in more than one year:                                  |                                    |  |
| Net pension liability                                       | 16,041,549                         | 15,525,493                                       |
| Net OPEB liability  | 1,697,468                          | 1,815,979  |
| Other amounts   | <u>1,210,457</u>                   | <u>1,159,571</u>                                 |
| Total liabilities   | <u>21,119,383</u>                  | <u>20,281,721</u>                                |
| <b><u>Deferred inflows of resources</u></b>                 |                                    |  |
| Property taxes levied for the next fiscal year              | 10,546,447                         | 9,519,017  |
| Payment in lieu of taxes levied<br>for the next fiscal year | 111,030                            | 95,466   |
| Pension   | 1,109,388                          | 1,733,532  |
| OPEB  | <u>1,710,571</u>                   | <u>1,709,513</u>                                 |
| Total deferred inflows of resources                         | <u>13,477,436</u>                  | <u>13,057,528</u>                                |
| <b><u>Net Position</u></b>                                  |                                    |  |
| Investment in capital assets                                | 16,012,282                         | 14,892,795                                       |
| Restricted  | 209,955                            | 135,279  |
| Unrestricted (deficit)                                      | <u>3,319,926</u>                   | <u>3,596,460</u>                                 |
| Total net position (restated)                               | <u>\$ 19,542,163</u>               | <u>\$ 18,624,534</u>                             |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

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.

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

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

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

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

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

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, respectively, not accounted for as deferred inflows/outflows.

Over time net position can serve as a useful indicator of a government's financial position. At June 30, 2020, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$19,542,163.

Total assets at fiscal year-end include a net OPEB asset reported by the State Teachers Retirement System (STRS). See Note 14 for more detail.

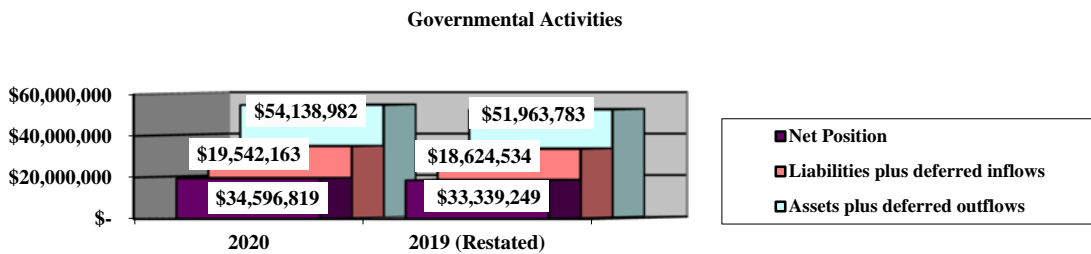
At year-end, capital assets represented 32.28% of total assets. Capital assets include construction in progress, land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2020, was \$16,012,282. These capital assets are used to provide services to the students and are not available for future spending. The District's total assets at June 30, 2020, increased from June 30, 2019's restated balance, primarily as a result of increased capital assets and the addition of a construction project.

Deferred outflows related to pension decreased primarily due to changes in assumptions by STRS. See Note 13 for more detail.

Total liabilities outstanding at June 30, 2020 increased \$837,662 from June 30, 2019's restated balance, primarily as a result of an increase in long-term liabilities, most specifically the net pension liability and contracts payable.

Deferred inflows related to pension decreased primarily due to changes in assumptions by STRS. See Note 13 for more detail. Deferred inflows related to property taxes increased as the result of a decrease in property tax available from Cuyahoga County at June 30, 2020.

A portion of the District's net position at June 30, 2020, \$209,955, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$3,319,926.



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

The table on the following page shows the change in net position for fiscal years 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3.B), rather, the cumulative impact of applying GASB Statement No. 84 is reflected in the beginning net position for 2019.

|  | <b>Change in Net Position</b> |                            |
|--|-------------------------------|----------------------------|
|  | Governmental                  | (Restated)<br>Governmental |
|  | Activities                    | Activities                 |
|  | <u>2020</u>                   | <u>2019</u>                |
| <b><u>Revenues</u></b>                   |                               |                            |
| Program revenues:                        |                               |                            |
| Charges for services and sales           | \$ 1,168,525                  | \$ 1,495,548               |
| Operating grants and contributions       | 934,653                       | 805,265                    |
| General revenues:                        |                               |                            |
| Property taxes                           | 10,842,044                    | 11,592,601                 |
| Payment in lieu of taxes                 | 117,489                       | 101,155                    |
| Grants and entitlements                  | 3,088,311                     | 3,087,331                  |
| Investment earnings                      | 399,993                       | 375,001                    |
| Increase in fair value<br>of investments | 362,345                       | 242,611                    |
| Miscellaneous                            | <u>121,105</u>                | <u>105,328</u>             |
| Total revenues                           | <u>\$ 17,034,465</u>          | <u>\$ 17,804,840</u>       |

(Continued)

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

**Change in Net Position - (Continued)**

|  | Governmental<br>Activities<br>2020 | Governmental<br>Activities<br>2019 |
|--|------------------------------------|------------------------------------|
| <b><u>Expenses</u></b>                       |                                    |                                    |
| Program expenses:                            |                                    |                                    |
| Instruction:                                 |                                    |                                    |
| Regular                                      | \$ 952,989                         | \$ 722,254                         |
| Vocational                                   | 6,751,229                          | 5,820,159                          |
| Adult education                              | 1,080,838                          | 1,088,752                          |
| Support services:                            |                                    |                                    |
| Pupil  | 1,180,929                          | 839,386                            |
| Instructional staff                          | 1,591,233                          | 1,169,515                          |
| Board of education                           | 32,419                             | 27,900                             |
| Administration                               | 1,458,941                          | 1,214,869                          |
| Fiscal                                       | 665,739                            | 567,100                            |
| Business                                     | 379,606                            | 358,658                            |
| Operations and maintenance                   | 1,488,572                          | 1,518,659                          |
| Pupil transportation                         | 15,096                             | 18,327                             |
| Central                                      | 35,119                             | 65,797                             |
| Operation of non-instructional services:     |                                    |                                    |
| Food service operations                      | 126,115                            | 120,485                            |
| Extracurricular activities                   | 76,589                             | 84,989                             |
| On behalf payments for other entities        | 281,422                            | 209,275                            |
| Total expenses                               | 16,116,836                         | 13,826,125                         |
| Change in net position                       | 917,629                            | 3,978,715                          |
| Net position at beginning of year (restated) | 18,624,534                         | 14,645,819                         |
| Net position at end of year                  | \$ 19,542,163                      | \$ 18,624,534                      |

**Governmental Activities**

Net position of the District's governmental activities increased \$917,629 during fiscal year 2020. Total governmental expenses of \$16,116,836 were offset by program revenues of \$2,103,178 and general revenues of \$14,931,287. Program revenues supported 13.05% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$2,290,711 or 16.57%. The primary reason for the increase is from fluctuations in the benefit changes by the retirement systems, the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years.



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

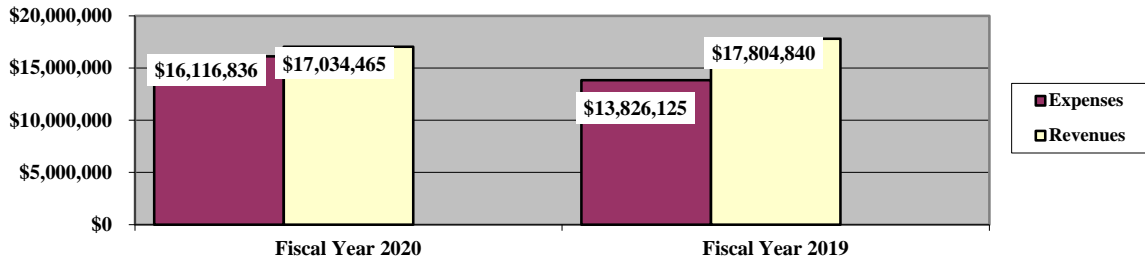
The primary sources of revenue for governmental activities are derived from levied taxes and unrestricted grants and entitlements. These revenue sources represent 82.47% and 83.02% of total governmental revenue for fiscal years 2020 and 2019, respectively. The District operates at the 2-mill floor. Due to this, the District is able to receive the full advantage of property tax valuation increases.

On May 4, 2020 and in response to the COVID-19 pandemic, Cuyahoga and Summit Counties in Ohio received approval from the Ohio Tax Commissioner to extend the due date of the second half 2019 real estate tax payments for 45 days making the new due date August 5, 2020. As a result of the extension, the amount of property taxes collected by Cuyahoga County and available as advance to the District at June 30, 2020 decreased. This is a timing issue as these taxes will be collected and reported as revenue in fiscal year 2021. Property tax revenue decreased by \$750,557, or 6.47%, compared to fiscal year 2019.

The District's financial condition has been very positive in recent years, primarily due to the increasing valuations of the property in our District. Unfortunately, state legislation was passed to decrease tax collections on certain groups of assets. During fiscal year 2020, the District did not receive a reimbursement for the loss of revenue from the State for the phase-out of the tangible personal property tax. If the state foundation formula remains unchanged, the District's foundation revenue will remain the same due to our guarantee status. During fiscal year 2020, unrestricted grants and entitlement revenue increased slightly by \$980.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2020 and 2019.

**Governmental Activities - Revenues and Expenses**



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

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

| <b>Governmental Activities</b>           |  |  |  |  |
|--|--|--|--|--|
|  | Total Cost of<br>Services<br><u>2020</u> | Net Cost of<br>Services<br><u>2020</u> | Total Cost of<br>Services<br><u>2019</u> | Net Cost of<br>Services<br><u>2019</u> |
| <b>Program expenses</b>                  |  |  |  |  |
| Instruction:                             |  |  |  |  |
| Regular                                  | \$ 952,989                               | \$ 952,989                             | \$ 722,254                               | \$ 722,254                             |
| Vocational                               | 6,751,229                                | 6,496,334                              | 5,820,159                                | 5,504,299                              |
| Adult Education                          | 1,080,838                                | (76,070)                               | 1,088,752                                | (230,174)                              |
| Support services:                        |  |  |  |  |
| Pupil                                    | 1,180,929                                | 1,178,818                              | 839,386                                  | 838,290                                |
| Instructional staff                      | 1,591,233                                | 1,349,370                              | 1,169,515                                | 975,301                                |
| Board of education                       | 32,419                                   | 32,419                                 | 27,900                                   | 27,900                                 |
| Administration                           | 1,458,941                                | 1,234,365                              | 1,214,869                                | 970,555                                |
| Fiscal                                   | 698,190                                  | 665,739                                | 567,100                                  | 567,100                                |
| Business                                 | 379,606                                  | 379,606                                | 358,658                                  | 358,658                                |
| Operations and maintenance               | 1,488,572                                | 1,440,446                              | 1,518,659                                | 1,473,291                              |
| Pupil transportation                     | 15,096                                   | 15,096                                 | 18,327                                   | 18,327                                 |
| Central                                  | 35,119                                   | 553                                    | 65,797                                   | 3,884                                  |
| Operation of non-instructional services: |  |  |  |  |
| Food service operations                  | 126,115                                  | 51,105                                 | 120,485                                  | 19,318                                 |
| Extracurricular activities               | 44,138                                   | 11,466                                 | 84,989                                   | 67,034                                 |
| On behalf payments for other entities    | <u>281,422</u>                           | <u>281,422</u>                         | <u>209,275</u>                           | <u>209,275</u>                         |
| <b>Total expenses</b>                    | <b><u>\$ 16,116,836</u></b>              | <b><u>\$ 14,013,658</u></b>            | <b><u>\$ 13,826,125</u></b>              | <b><u>\$ 11,525,312</u></b>            |

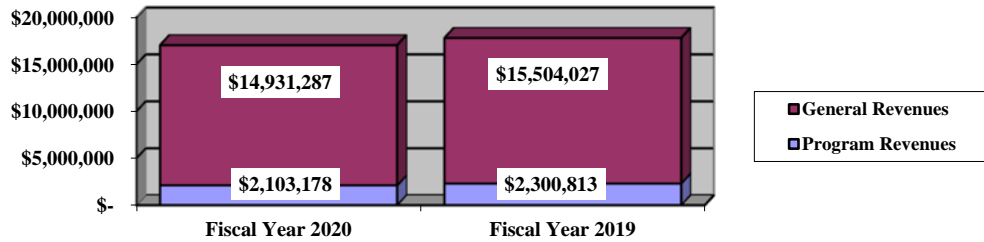
The dependence upon taxes and other general revenues for governmental activities is apparent; 83.93% and 78.58% of instruction activities are supported through taxes and other general revenues for fiscal years 2020 and 2019, respectively. For all governmental activities, general revenue support is 86.95% for fiscal year 2020. The District's taxpayers, as a whole, are by far the primary support for District's students.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$20,287,082, which is lower than last year's restated total of \$20,342,945. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. See Note 3.B for detail on the restatement for the implementation of GASB No. 84.

|                            | Fund Balance<br>(deficit)<br><u>June 30, 2020</u> | (Restated)<br>Fund Balance<br>(deficit)<br><u>June 30, 2019</u> | Increase<br>(Decrease) |
|----------------------------|---|---|------------------------|
| General                    | \$ 16,584,026                                     | \$ 17,304,685   | \$ (720,659)           |
| Adult Education            | (14,200)  | (108,633)   | 94,433                 |
| Permanent improvement fund | 3,624,807   | 3,052,744   | 572,063                |
| Other Governmental         | <u>92,449</u>                                     | <u>94,149</u>   | <u>(1,700)</u>         |
| Total                      | <u>\$ 20,287,082</u>                              | <u>\$ 20,342,945</u>  | <u>\$ (55,863)</u>     |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

***General Fund***

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

|  | 2020<br><u>Amount</u> | 2019<br><u>Amount</u> | Percentage<br><u>Change</u> |
|--|-----------------------|-----------------------|-----------------------------|
| <b><u>Revenues</u></b>                   |                       |                       |                             |
| Taxes                                    | \$ 10,815,370         | \$ 11,605,440         | (6.81) %                    |
| Earnings on investments                  | 397,210               | 370,619               | 7.17 %                      |
| Increase in fair value<br>of investments | 362,345               | 242,611               | 49.35 %                     |
| Intergovernmental                        | 3,088,311             | 3,089,877             | (0.05) %                    |
| Other revenues                           | <u>436,089</u>        | <u>386,274</u>        | 12.90 %                     |
| Total                                    | <u>\$ 15,099,325</u>  | <u>\$ 15,694,821</u>  | (3.79) %                    |
| <b><u>Expenditures</u></b>               |                       |                       |                             |
| Instruction                              | \$ 6,713,431          | \$ 6,859,755          | (2.13) %                    |
| Support services                         | 5,689,502             | 5,736,715             | (0.82) %                    |
| Extracurricular activities               | 70,589                | 84,989                | (16.94) %                   |
| On behalf payments for other entities    | <u>175,504</u>        | <u>209,226</u>        | (16.12) %                   |
| Total                                    | <u>\$ 12,649,026</u>  | <u>\$ 12,890,685</u>  | (1.87) %                    |

The general fund balance decreased by \$721,117 during fiscal year 2020. Tax revenue decreased 6.81%, when compared to the prior fiscal year. This is primarily due to a fluctuation in the amount of tax advance available at June 30, 2020 due to the COVID-19 pandemic and a 45 day extension applied to the second half of 2019 tax collections. The increase in earnings on investments is due to higher interest rates and better return on investments compared to the prior fiscal year. The District realized an increase in the fair value of investments at fiscal year-end. Other revenues increased 12.90%, which is primarily due to more reimbursements received in fiscal year 2020.

Overall, expenditures decreased slightly by 1.87% during fiscal year 2020. Instruction services decreased slightly from a general decrease in salaries and fringe benefits. Support services expenditures were comparable to the prior year. On behalf payments for other entities decreased from costs related to career development and partnership services with local districts. Extracurricular expenditures decreased significantly, partly due to the COVID-19 pandemic prohibiting extracurricular activities from taking place.

The general fund transferred out \$21,528 to nonmajor governmental funds and \$3,149,888 to the permanent improvement major capital projects fund during fiscal year 2020.

***Adult Education***

The District's adult education fund balance increased \$92,372 as a result in an increase in fund balance and \$2,061 as a result in an increase in reserve for inventory during fiscal year 2020. Overall revenues and expenditures in the adult education fund decreased slightly to the prior year.

***Permanent Improvement***

The permanent improvement fund increased by \$572,063 as result of the cost of facilities acquisition and construction projects undertaken did not exceed revenue transfers in during fiscal year 2020.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

***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 the course of fiscal year 2020, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$14,896,137 and \$14,210,644, respectively. Actual revenues and other financing sources for fiscal year 2020 was \$15,993,309. This represents a \$1,097,172 increase from original budgeted revenues. This is an increase of 7.37%, which is primarily due to property tax revenues and amounts from state foundation.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,238,082 were increased to \$17,470,005 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$16,481,507, which was \$988,498 less than the final budget appropriations. The positive variance with final and original budgeted appropriations was caused by the District's conservative spending.

**Capital Assets**

At the end of fiscal year 2020, the District had \$16,429,984 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2020 balances compared to 2019:

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

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2020                    | 2019          |
| Land                      | \$ 563,010              | \$ 563,010    |
| Construction in progress  | 2,071,087               | -             |
| Land improvements         | 28,681                  | 30,015        |
| Building and improvements | 11,233,491              | 11,788,471    |
| Furniture and equipment   | 2,264,154               | 2,419,340     |
| Vehicles                  | 269,561                 | 91,959        |
| Total                     | \$ 16,429,984           | \$ 14,892,795 |

Total additions to capital assets for 2020 were \$2,435,450, total disposals were \$10,135 (net of accumulated depreciation) and depreciation expense was \$888,126.

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

**Debt Administration**

During fiscal year 2020, the District had no debt. See Note 10 to the basic financial statements for additional information on the District's other long-term obligations.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY**

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

**Current Related Financial Activities**

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students and community it serves, and to minimize the cost from the citizens while maximizing the opportunities available. The District is always presented with challenges and opportunities. National events economically affect the School District and the surrounding area. Yet, the District has a strong financial outlook.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed additional revenue growth toward the support of School Districts with little property tax wealth. Cuyahoga Valley Career Center is a high wealth tax district. The reliance of the District on property tax will increase while the contribution from the state remains stagnant.

The District has committed itself to educational and financial excellence for many years. The District, with Board guidance, is committed to providing the necessary preparation for youth and adults to enter, compete, and advance in an ever-changing work world by being a responsive leader to technical and career needs of our community.

**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 Mr. Richard Berdine, Treasurer/CFO, Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

**BASIC  
FINANCIAL STATEMENTS**

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2020

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| Equity in pooled cash and cash equivalents. . .                      | \$ 6,465,210                       |
| Investments. . . . .   | 14,643,977                         |
| Receivables:   |                                    |
| Taxes . . . . .  | 12,179,220                         |
| Payment in lieu of taxes . . . . .                                   | 111,030                            |
| Accounts. . . . .  | 744                                |
| Intergovernmental . . . . .  | 69,439                             |
| Accrued interest . . . . .   | 49,014                             |
| Loans. . . . .   | 50,000                             |
| Prepayments . . . . .  | 4,130                              |
| Materials and supplies inventory. . . . .                            | 13,516                             |
| Inventory held for resale. . . . .                                   | 2,149                              |
| Net OPEB asset . . . . .   | 877,733                            |
| Capital assets:  |                                    |
| Nondepreciable capital assets . . . . .                              | 2,634,097                          |
| Depreciable capital assets, net. . . . .                             | 13,795,887                         |
| Capital assets, net . . . . .  | <u>16,429,984</u>                  |
| Total assets. . . . .  | <u>50,896,146</u>                  |
| <b>Deferred outflows of resources:</b>                               |                                    |
| Pension . . . . .  | 2,954,833                          |
| OPEB . . . . .   | 288,003                            |
| Total deferred outflows of resources . . . . .                       | <u>3,242,836</u>                   |
| <b>Liabilities:</b>  |                                    |
| Accounts payable. . . . .  | 3,477                              |
| Contracts payable. . . . .   | 417,702                            |
| Accrued wages and benefits payable . . . . .                         | 1,403,402                          |
| Pension and postemployment benefits payable . . . . .                | 171,976                            |
| Intergovernmental payable . . . . .                                  | 20,583                             |
| Unearned revenue . . . . .   | 40,591                             |
| Long-term liabilities:   |                                    |
| Due within one year. . . . .   | 112,178                            |
| Due in more than one year:   |                                    |
| Net pension liability (See Note 13) . . . . .                        | 16,041,549                         |
| Net OPEB liability (See Note 14) . . . . .                           | 1,697,468                          |
| Other amounts due in more than one year. . . . .                     | 1,210,457                          |
| Total liabilities . . . . .  | <u>21,119,383</u>                  |
| <b>Deferred inflows of resources:</b>                                |                                    |
| Property taxes levied for the next fiscal year. . . . .              | 10,546,447                         |
| Payment in lieu of taxes levied for the<br>next fiscal year. . . . . | 111,030                            |
| Pension . . . . .  | 1,109,388                          |
| OPEB . . . . .   | 1,710,571                          |
| Total deferred inflows of resources . . . . .                        | <u>13,477,436</u>                  |
| <b>Net position:</b>   |                                    |
| Net investment in capital assets . . . . .                           | 16,012,282                         |
| Restricted for:  |                                    |
| State funded programs. . . . .                                       | 42,492                             |
| Federally funded programs . . . . .                                  | 68,517                             |
| Other purposes . . . . .   | 90,420                             |
| Unclaimed monies. . . . .  | 8,526                              |
| Unrestricted . . . . .   | 3,319,926                          |
| Total net position. . . . .  | <u>\$ 19,542,163</u>               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

|  |                      | <b>Program Revenues</b>                   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|--|----------------------|---|---|--|
|  | <b>Expenses</b>      | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b>                                   |
| <b>Governmental activities:</b>  |                      |   |   |  |
| Instruction:   |                      |   |   |  |
| Regular . . . . .  | \$ 952,989           | \$ -                                      | \$ -  | \$ (952,989)   |
| Vocational . . . . .   | 6,751,229            | 140,214                                   | 114,681                                       | (6,496,334)  |
| Adult education . . . . .  | 1,080,838            | 800,823                                   | 356,085                                       | 76,070   |
| Support services:  |                      |   |   |  |
| Pupil . . . . .  | 1,180,929            | 2,111                                     | -   | (1,178,818)  |
| Instructional staff . . . . .  | 1,591,233            | 2,183                                     | 239,680                                       | (1,349,370)  |
| Board of education . . . . .   | 32,419               | -   | -   | (32,419)   |
| Administration . . . . .   | 1,458,941            | 165,588                                   | 58,988  | (1,234,365)  |
| Fiscal . . . . .   | 665,739              | -   | -   | (665,739)  |
| Business . . . . .   | 379,606              | -   | -   | (379,606)  |
| Operations and maintenance . . . . .                                     | 1,488,572            | -   | 48,126  | (1,440,446)  |
| Pupil transportation . . . . .   | 15,096               | -   | -   | (15,096)   |
| Central . . . . .  | 35,119               | -   | 34,566  | (553)  |
| Operation of non-instructional services:                                 |                      |   |   |  |
| Food service operations . . . . .  | 126,115              | 34,080                                    | 40,930  | (51,105)   |
| Extracurricular activities . . . . .                                     | 76,589               | 23,526                                    | 41,597  | (11,466)   |
| On behalf payments for other entities . . . . .                          | 281,422              | -   | -   | (281,422)  |
| <b>Total governmental activities . . . . .</b>                           | <b>\$ 16,116,836</b> | <b>\$ 1,168,525</b>                       | <b>\$ 934,653</b>                             | <b>(14,013,658)</b>  |
| <br><b>General revenues:</b>   |                      |   |   |  |
| Property taxes levied for:   |                      |   |   |  |
| General purposes . . . . .   |                      |   |   | 10,842,044   |
| Payments in lieu of taxes . . . . .                                      |                      |   |   | 117,489  |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                      |   |   | 3,088,311  |
| Investment earnings . . . . .  |                      |   |   | 399,993  |
| Increase in fair value of investments . . . . .                          |                      |   |   | 362,345  |
| Miscellaneous . . . . .  |                      |   |   | 121,105  |
| <b>Total general revenues . . . . .</b>                                  |                      |   |   | <b>14,931,287</b>  |
| Change in net position . . . . .   |                      |   |   | 917,629  |
| <b>Net position at beginning of year (restated)</b>                      |                      |   |   | <b>18,624,534</b>  |
| <b>Net position at end of year . . . . .</b>                             |                      |   |   | <b>\$ 19,542,163</b>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

|  | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Permanent<br/>Improvement</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|----------------------------|----------------------------------|--|---|
| <b>Assets:</b>   |                      |                            |                                  |  |   |
| Equity in pooled cash and cash equivalents . . . . .               | \$ 1,989,565         | \$ 219,272                 | \$ 4,038,744                     | \$ 217,629                                 | \$ 6,465,210                            |
| Investments . . . . .  | 14,643,977           | -                          | -                                | -  | 14,643,977                              |
| Receivables:   |                      |                            |                                  |  |   |
| Taxes . . . . .  | 12,179,220           | -                          | -                                | -  | 12,179,220                              |
| Payment in lieu of taxes . . . . .                                 | 111,030              | -                          | -                                | -  | 111,030                                 |
| Accounts . . . . .   | 552                  | -                          | -                                | 192  | 744                                     |
| Intergovernmental . . . . .  | 106                  | -                          | -                                | 69,333                                     | 69,439                                  |
| Accrued interest . . . . .   | 49,014               | -                          | -                                | -  | 49,014                                  |
| Interfund loans . . . . .  | 252,811              | 32,239                     | 3,765                            | -  | 288,815                                 |
| Loans . . . . .  | 50,000               | -                          | -                                | -  | 50,000                                  |
| Prepayments . . . . .  | 3,651                | 448                        | -                                | 31   | 4,130                                   |
| Materials and supplies inventory . . . . .                         | 1,133                | 12,383                     | -                                | -  | 13,516                                  |
| Inventory held for resale . . . . .                                | -                    | -                          | -                                | 2,149                                      | 2,149                                   |
| Total assets . . . . .   | <u>\$ 29,281,059</u> | <u>\$ 264,342</u>          | <u>\$ 4,042,509</u>              | <u>\$ 289,334</u>                          | <u>\$ 33,877,244</u>                    |
| <b>Liabilities:</b>  |                      |                            |                                  |  |   |
| Accounts payable . . . . .   | 1,805                | 1,612                      | -                                | 60   | 3,477                                   |
| Contracts payable . . . . .  | -                    | -                          | 417,702                          | -  | 417,702                                 |
| Accrued wages and benefits payable . . . . .                       | 1,326,011            | 69,009                     | -                                | 8,382                                      | 1,403,402                               |
| Compensated absences payable . . . . .                             | 33,294               | -                          | -                                | -  | 33,294                                  |
| Pension and postemployment benefits payable . . . . .              | 161,787              | 7,085                      | -                                | 3,104                                      | 171,976                                 |
| Intergovernmental payable . . . . .                                | 19,648               | 836                        | -                                | 99   | 20,583                                  |
| Interfund loans payable . . . . .                                  | -                    | 200,000                    | -                                | 88,815                                     | 288,815                                 |
| Unearned revenue . . . . .   | 1,493                | -                          | -                                | 39,098                                     | 40,591                                  |
| Total liabilities . . . . .  | <u>1,544,038</u>     | <u>278,542</u>             | <u>417,702</u>                   | <u>139,558</u>                             | <u>2,379,840</u>                        |
| <b>Deferred inflows of resources:</b>                              |                      |                            |                                  |  |   |
| Property taxes levied for the next fiscal year . . . . .           | 10,546,447           | -                          | -                                | -  | 10,546,447                              |
| Payment in lieu of taxes levied for the next fiscal year . . . . . | 111,030              | -                          | -                                | -  | 111,030                                 |
| Delinquent property tax revenue not available . . . . .            | 464,744              | -                          | -                                | -  | 464,744                                 |
| Intergovernmental revenue not available . . . . .                  | 106                  | -                          | -                                | 57,327                                     | 57,433                                  |
| Accrued interest not available . . . . .                           | 30,668               | -                          | -                                | -  | 30,668                                  |
| Total deferred inflows of resources . . . . .                      | <u>11,152,995</u>    | <u>-</u>                   | <u>-</u>                         | <u>57,327</u>                              | <u>11,210,322</u>                       |
| <b>Fund balances:</b>  |                      |                            |                                  |  |   |
| Nonspendable:  |                      |                            |                                  |  |   |
| Materials and supplies inventory . . . . .                         | 1,133                | 12,383                     | -                                | -  | 13,516                                  |
| Prepays . . . . .  | 3,651                | 448                        | -                                | 31   | 4,130                                   |
| Long-term loans . . . . .  | 15,000               | -                          | -                                | -  | 15,000                                  |
| Unclaimed monies . . . . .   | 8,526                | -                          | -                                | -  | 8,526                                   |
| Restricted:  |                      |                            |                                  |  |   |
| Student wellness and success . . . . .                             | -                    | -                          | -                                | 39,992                                     | 39,992                                  |
| Vocational education . . . . .                                     | -                    | -                          | -                                | 11,190                                     | 11,190                                  |
| Data communications . . . . .                                      | -                    | -                          | -                                | 92,920                                     | 92,920                                  |
| Committed:   |                      |                            |                                  |  |   |
| Capital improvements . . . . .                                     | -                    | -                          | 3,624,807                        | -  | 3,624,807                               |
| Assigned:  |                      |                            |                                  |  |   |
| Student instruction . . . . .                                      | 13,889               | -                          | -                                | -  | 13,889                                  |
| Student and staff support . . . . .                                | 305,375              | -                          | -                                | -  | 305,375                                 |
| Subsequent year appropriations . . . . .                           | 1,063,435            | -                          | -                                | -  | 1,063,435                               |
| Supplies . . . . .   | 21,074               | -                          | -                                | -  | 21,074                                  |
| Other purposes . . . . .   | 289,001              | -                          | -                                | -  | 289,001                                 |
| Unassigned (deficit) . . . . .                                     | 14,862,942           | (27,031)                   | -                                | (51,684)                                   | 14,784,227                              |
| Total fund balances . . . . .                                      | <u>16,584,026</u>    | <u>(14,200)</u>            | <u>3,624,807</u>                 | <u>92,449</u>                              | <u>20,287,082</u>                       |
| Total liabilities, deferred inflows and fund balances . . . . .    | <u>\$ 29,281,059</u> | <u>\$ 264,342</u>          | <u>\$ 4,042,509</u>              | <u>\$ 289,334</u>                          | <u>\$ 33,877,244</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

|  |    |              |              |
|--|----|--------------|--------------|
| <b>Total governmental fund balances</b>  |    | \$           | 20,287,082   |
| <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.  |    |              | 16,429,984   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.   |    |              |              |
| Property taxes receivable  | \$ | 464,744      |              |
| Accounts receivable  |    | 106          |              |
| Accrued interest receivable  |    | 30,668       |              |
| Intergovernmental receivable   |    | 57,327       |              |
| Total  |    | 552,845      | 552,845      |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows of resources are not reported in governmental funds:          |    |              |              |
| Deferred outflows of resources - pension   |    | 2,954,833    |              |
| Deferred inflows of resources - pension  |    | (1,109,388)  |              |
| Net pension liability  |    | (16,041,549) |              |
| Total  |    | (14,196,104) | (14,196,104) |
| The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows of resources are not reported in governmental funds: |    |              |              |
| Deferred outflows of resources - OPEB  |    | 288,003      |              |
| Deferred inflows of resources - OPEB   |    | (1,710,571)  |              |
| Net OPEB asset   |    | 877,733      |              |
| Net OPEB liability   |    | (1,697,468)  |              |
| Total  |    | (2,242,303)  | (2,242,303)  |
| Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.  |    |              | (1,289,341)  |
| <b>Net position of governmental activities</b>   |    | \$           | 19,542,163   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

|  | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Permanent<br/>Improvement</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|----------------------------|----------------------------------|--|---|
| <b>Revenues:</b>   |                      |                            |                                  |  |   |
| From local sources:  |                      |                            |                                  |  |   |
| Taxes . . . . .  | \$ 10,815,370        | \$ -                       | \$ -                             | \$ -                                       | \$ 10,815,370                           |
| Payment in lieu of taxes . . . . .                                       | 117,489              | -                          | -                                | -  | 117,489                                 |
| Tuition . . . . .  | 34,966               | 894,988                    | -                                | -  | 929,954                                 |
| Charges for services . . . . .   | 6,888                | -                          | -                                | 34,080                                     | 40,968                                  |
| Earnings on investments . . . . .  | 397,210              | -                          | -                                | 1,605                                      | 398,815                                 |
| Increase in fair value of investments . . . . .                          | 362,345              | -                          | -                                | -  | 362,345                                 |
| Classroom materials and fees . . . . .                                   | 83,426               | 65,597                     | -                                | -  | 149,023                                 |
| Rental income . . . . .  | 29,517               | -                          | -                                | -  | 29,517                                  |
| Contributions and donations . . . . .                                    | 2,398                | -                          | -                                | -  | 2,398                                   |
| Customer services . . . . .  | 14,801               | 4,262                      | -                                | -  | 19,063                                  |
| Other local revenues . . . . .   | 146,604              | 28,134                     | -                                | 473  | 175,211                                 |
| Intergovernmental - State . . . . .                                      | 3,088,311            | 318,853                    | -                                | 51,650                                     | 3,458,814                               |
| Intergovernmental - Federal . . . . .                                    | -                    | -                          | -                                | 531,250                                    | 531,250                                 |
| Total revenues . . . . .   | <u>15,099,325</u>    | <u>1,311,834</u>           | <u>-</u>                         | <u>619,058</u>                             | <u>17,030,217</u>                       |
| <b>Expenditures:</b>   |                      |                            |                                  |  |   |
| Current:   |                      |                            |                                  |  |   |
| Instruction:   |                      |                            |                                  |  |   |
| Regular . . . . .  | 881,143              | -                          | -                                | -  | 881,143                                 |
| Vocational . . . . .   | 5,832,288            | -                          | -                                | 107,127                                    | 5,939,415                               |
| Adult education . . . . .  | -                    | 1,001,884                  | -                                | 20,645                                     | 1,022,529                               |
| Support services:  |                      |                            |                                  |  |   |
| Pupil . . . . .  | 1,121,133            | -                          | -                                | -  | 1,121,133                               |
| Instructional staff . . . . .  | 1,054,379            | -                          | 231,230                          | 204,971                                    | 1,490,580                               |
| Board of education . . . . .   | 31,654               | -                          | -                                | -  | 31,654                                  |
| Administration . . . . .   | 1,154,634            | 217,578                    | -                                | -  | 1,372,212                               |
| Fiscal . . . . .   | 641,577              | -                          | -                                | -  | 641,577                                 |
| Business . . . . .   | 355,708              | -                          | -                                | -  | 355,708                                 |
| Operations and maintenance . . . . .                                     | 1,317,342            | -                          | -                                | 46,995                                     | 1,364,337                               |
| Pupil transportation . . . . .   | 12,700               | -                          | 167,054                          | -  | 179,754                                 |
| Central . . . . .  | 375                  | -                          | -                                | 32,068                                     | 32,443                                  |
| Operation of non-instructional services:                                 |                      |                            |                                  |  |   |
| Food service operations . . . . .  | -                    | -                          | -                                | 118,196                                    | 118,196                                 |
| Extracurricular activities . . . . .                                     | 70,589               | -                          | -                                | 6,000                                      | 76,589                                  |
| On behalf payments for other entities . . . . .                          | 175,504              | -                          | -                                | 105,918                                    | 281,422                                 |
| Facilities acquisition and construction . . . . .                        | -                    | -                          | 2,179,541                        | -  | 2,179,541                               |
| Total expenditures . . . . .   | <u>12,649,026</u>    | <u>1,219,462</u>           | <u>2,577,825</u>                 | <u>641,920</u>                             | <u>17,088,233</u>                       |
| Excess (deficiency) of revenues over (under) expenditures . . . . .      | <u>2,450,299</u>     | <u>92,372</u>              | <u>(2,577,825)</u>               | <u>(22,862)</u>                            | <u>(58,016)</u>                         |
| <b>Other financing sources (uses):</b>                                   |                      |                            |                                  |  |   |
| Transfers in . . . . .   | -                    | -                          | 3,149,888                        | 21,528                                     | 3,171,416                               |
| Transfers (out) . . . . .  | <u>(3,171,416)</u>   | <u>-</u>                   | <u>-</u>                         | <u>-</u>                                   | <u>(3,171,416)</u>                      |
| Total other financing sources (uses) . . . . .                           | <u>(3,171,416)</u>   | <u>-</u>                   | <u>3,149,888</u>                 | <u>21,528</u>                              | <u>-</u>                                |
| Net change in fund balances . . . . .                                    | (721,117)            | 92,372                     | 572,063                          | (1,334)                                    | (58,016)                                |
| <b>Fund balances (deficit) at beginning of year (restated) . . . . .</b> |                      |                            |                                  |  |   |
|  | 17,304,685           | (108,633)                  | 3,052,744                        | 94,149                                     | 20,342,945                              |
| <b>Increase (decrease) in reserve for inventory</b>                      | 458                  | 2,061                      | -                                | (366)                                      | 2,153                                   |
| <b>Fund balances (deficit) at end of year . . . . .</b>                  | <u>\$ 16,584,026</u> | <u>\$ (14,200)</u>         | <u>\$ 3,624,807</u>              | <u>\$ 92,449</u>                           | <u>\$ 20,287,082</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
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, 2020

|  |              |                   |
|--|--------------|-------------------|
| <b>Net change in fund balances - total governmental funds</b>  |              | \$ (58,016)       |
| <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  | \$ 2,435,450 |                   |
| Current year depreciation  | (888,126)    |                   |
| Total  |              | 1,547,324         |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.  |              |                   |
|  |              | (10,135)          |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.   |              |                   |
|  |              | 2,153             |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |              |                   |
| Property taxes   | 26,674       |                   |
| Earnings on investments  | 2,783        |                   |
| Accounts receivable  | (27,791)     |                   |
| Intergovernmental  | 2,688        |                   |
| Total  |              | 4,354             |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.                                |              |                   |
|  |              | 1,220,485         |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.   |              |                   |
|  |              | (1,988,584)       |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.                                   |              |                   |
|  |              | 8,478             |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.  |              |                   |
|  |              | 283,912           |
| 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. |              |                   |
|  |              | (92,342)          |
| <b>Change in net position of governmental activities</b>   |              | <b>\$ 917,629</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
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, 2020

|   | <u>Budgeted Amounts</u> |                      |                      | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|----------------------|----------------------|---|
|   | <u>Original</u>         | <u>Final</u>         | <u>Actual</u>        |   |
| <b>Revenues:</b>  |                         |                      |                      |   |
| From local sources:   |                         |                      |                      |   |
| Property taxes . . . . .                                    | \$ 11,091,021           | \$ 10,640,549        | \$ 11,714,477        | \$ 1,073,928  |
| Payment in lieu of taxes . . . . .                          | 68,448                  | 117,895              | 117,489              | (406)   |
| Tuition . . . . .   | 39,739                  | 42,115               | 34,966               | (7,149)   |
| Earnings on investments . . . . .                           | 258,339                 | 371,269              | 405,925              | 34,656  |
| Classroom materials and fees . . . . .                      | 68,988                  | 63,211               | 55,744               | (7,467)   |
| Rental income . . . . .                                     | 10,116                  | 10,067               | 473                  | (9,594)   |
| Other local revenues . . . . .                              | 54,738                  | 36,082               | 67,861               | 31,779  |
| Intergovernmental - State . . . . .                         | 2,969,360               | 2,831,429            | 3,088,266            | 256,837   |
| Total revenues . . . . .                                    | <u>14,560,749</u>       | <u>14,112,617</u>    | <u>15,485,201</u>    | <u>1,372,584</u>  |
| <b>Expenditures:</b>  |                         |                      |                      |   |
| Current:  |                         |                      |                      |   |
| Instruction:  |                         |                      |                      |   |
| Regular . . . . .   | 11,556                  | 15,556               | 884,574              | (869,018)   |
| Vocational . . . . .  | 11,096,517              | 11,105,235           | 5,808,223            | 5,297,012   |
| Support services:   |                         |                      |                      |   |
| Pupil . . . . .   | 22,020                  | 22,020               | 1,119,222            | (1,097,202)   |
| Instructional staff . . . . .                               | 379,399                 | 422,578              | 1,080,865            | (658,287)   |
| Board of education . . . . .                                | 21,900                  | 23,400               | 32,029               | (8,629)   |
| Administration . . . . .                                    | 337,366                 | 278,549              | 1,183,099            | (904,550)   |
| Fiscal . . . . .  | 698,745                 | 698,745              | 629,217              | 69,528  |
| Business . . . . .  | 43,808                  | 50,676               | 402,877              | (352,201)   |
| Operations and maintenance . . . . .                        | 921,371                 | 915,525              | 1,450,482            | (534,957)   |
| Pupil transportation . . . . .                              | 15,000                  | 15,000               | 12,319               | 2,681   |
| Central . . . . .   | -                       | -                    | 375                  | (375)   |
| On behalf payments for other entities . . . . .             | 300,000                 | 280,000              | 235,504              | 44,496  |
| Total expenditures . . . . .                                | <u>13,847,682</u>       | <u>13,827,284</u>    | <u>12,838,786</u>    | <u>988,498</u>  |
| Excess of revenues over expenditures . . . . .              | <u>713,067</u>          | <u>285,333</u>       | <u>2,646,415</u>     | <u>2,361,082</u>  |
| <b>Other financing sources (uses):</b>                      |                         |                      |                      |   |
| Refund of prior year expenditures . . . . .                 | 3,388                   | 98,027               | 151,108              | 53,081  |
| Transfers (out) . . . . .                                   | (2,033,400)             | (3,265,721)          | (3,265,721)          | -   |
| Advances in . . . . .                                       | 332,000                 | -                    | 357,000              | 357,000   |
| Advances (out) . . . . .                                    | (357,000)               | (377,000)            | (377,000)            | -   |
| Total other financing sources (uses) . . . . .              | <u>(2,055,012)</u>      | <u>(3,544,694)</u>   | <u>(3,134,613)</u>   | <u>410,081</u>  |
| Net change in fund balance . . . . .                        | (1,341,945)             | (3,259,361)          | (488,198)            | 2,771,163   |
| <b>Unencumbered fund balance at beginning of year . . .</b> | 15,840,755              | 15,840,755           | 15,840,755           | -   |
| <b>Prior year encumbrances appropriated . .</b>             | 228,172                 | 228,172              | 228,172              | -   |
| <b>Unencumbered fund balance at end of year . . . . .</b>   | <u>\$ 14,726,982</u>    | <u>\$ 12,809,566</u> | <u>\$ 15,580,729</u> | <u>\$ 2,771,163</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

|   | <u>Budgeted Amounts</u> |                  |                   | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>     |   |
| <b>Revenues:</b>  |                         |                  |                   |   |
| From local sources:   |                         |                  |                   |   |
| Tuition . . . . .   | \$ 1,110,660            | \$ 832,832       | \$ 871,167        | \$ 38,335   |
| Classroom materials and fees . . . . .                              | 120,072                 | 110,182          | 65,597            | (44,585)  |
| Customer services . . . . .   | 4,376                   | 3,733            | 4,262             | 529   |
| Other local revenues . . . . .                                      | 26,823                  | 22,538           | 28,419            | 5,881   |
| Intergovernmental - State . . . . .                                 | <u>326,725</u>          | <u>278,651</u>   | <u>318,853</u>    | <u>40,202</u>   |
| Total revenue . . . . .   | <u>1,588,656</u>        | <u>1,247,936</u> | <u>1,288,298</u>  | <u>40,362</u>   |
| <b>Expenditures:</b>  |                         |                  |                   |   |
| Current:  |                         |                  |                   |   |
| Instruction:  |                         |                  |                   |   |
| Adult education . . . . .   | 1,384,326               | 1,267,326        | 1,105,887         | 161,439   |
| Administration . . . . .  | <u>283,473</u>          | <u>266,566</u>   | <u>221,273</u>    | <u>45,293</u>   |
| Total expenditures . . . . .  | <u>1,667,799</u>        | <u>1,533,892</u> | <u>1,327,160</u>  | <u>206,732</u>  |
| Excess (deficiency) of revenues over (under) expenditures . . . . . | <u>(79,143)</u>         | <u>(285,956)</u> | <u>(38,862)</u>   | <u>247,094</u>  |
| <b>Other financing sources (uses):</b>                              |                         |                  |                   |   |
| Refund of prior year receipts . . . . .                             | -                       | -                | (4,596)           | (4,596)   |
| Transfers in . . . . .  | 36,344                  | 36,344           | -                 | (36,344)  |
| Advances in . . . . .   | 200,000                 | -                | 200,000           | 200,000   |
| Advances (out) . . . . .  | <u>-</u>                | <u>-</u>         | <u>(200,000)</u>  | <u>(200,000)</u>  |
| Total other financing sources (uses) . . . . .                      | <u>236,344</u>          | <u>36,344</u>    | <u>(4,596)</u>    | <u>(40,940)</u>   |
| Net change in fund balance . . . . .                                | 157,201                 | (249,612)        | (43,458)          | 206,154   |
| <b>Unencumbered fund balance at beginning of year . .</b>           | 231,569                 | 231,569          | 231,569           | -   |
| <b>Prior year encumbrances appropriated . .</b>                     | 18,118                  | 18,118           | 18,118            | -   |
| <b>Unencumbered fund balance at end of year . . . . .</b>           | <u>\$ 406,888</u>       | <u>\$ 75</u>     | <u>\$ 206,229</u> | <u>\$ 206,154</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2020

|   | <u>Custodial</u> |
|---|------------------|
| <b>Assets:</b>  |                  |
| Equity in pooled cash<br>and cash equivalents . . . . . | <u>\$ 95,000</u> |
| <b>Liabilities:</b>                                     |                  |
| Loans payable . . . . .                                 | <u>50,000</u>    |
| <b>Net position:</b>                                    |                  |
| Restricted for student organizations . . . . .          | <u>\$ 45,000</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

|   | <b>Custodial</b> |
|---|------------------|
| <b>Additions:</b>   |                  |
| Extracurricular . . . . .                                     | \$ 54,382        |
| Rental income . . . . .                                       | 64               |
| Contributions and donations . . . . .                         | 35,403           |
| Total additions. . . . .                                      | 89,849           |
| <br><b>Deductions:</b>  |                  |
| Extracurricular distributions                                 |                  |
| to student organizations . . . . .                            | 62,368           |
| Total deductions . . . . .                                    | 62,368           |
| <br>Change in net position . . . . .                          | <br>27,481       |
| <b>Net position at beginning of year (restated) . . . . .</b> | <b>17,519</b>    |
| <b>Net position at end of year . . . . .</b>                  | <b>\$ 45,000</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

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

The Cuyahoga Valley Career Center (the "District") is a joint vocational school district organized under Section 3311.18 of the Ohio Revised Code. The District provides vocational education for eight school districts serving an eligible student population of approximately 8,160 throughout northeastern Ohio, including Cuyahoga and Summit counties. A nine-member Board of Education governs the District, which is supported by a 2.0 mil operating levy assessed over a 5.9 billion dollar tax duplicate and by funds from the State of Ohio Joint Vocational School Foundation Program. The Board controls the District's educational facilities, which are staffed by 55 certified employees, 7 administrative employees and 53 full-time support staff employees. The District fosters cooperative relationships with business and industry, professional organizations, participating school districts and other interested, concerned groups and organizations to consider, plan and implement educational programs designed to meet the common needs and interests of 7,977 eligible students.

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

The basic 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any district is limited to its representation on the Board. In fiscal year 2020, the District paid \$38,584 to the Council. Financial information can be obtained by contacting William Zelei, Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio, 44131.

The District participates in the Council's prepaid natural gas purchase program. This program allows school districts to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager for the period program. There are currently 151 participants in the program including Cuyahoga Valley Career Center. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The Council has partnered with the Ohio Association of Business Officials, the Ohio School Boards Association and the Buckeye Association of School Administrators to form the Power4Schools program to bring savings on electric generation costs and budget certainty to Ohio public schools by pooling purchasing power statewide. Power4Schools has selected FirstEnergy Solutions as its exclusive provider for school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy, and AEP Ohio Power service areas.

Connect

The District is a member of Connect, formerly known as the North Coast Council, which was formed when the Lakeshore Northeast Ohio Computer Association and the Lake Erie Educational Computer Association merged during fiscal year 2012. Connect was organized for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among 34-member districts. Each of the governments of these schools supports the Connect based on a per pupil charge. The District contributed \$33,503 to Connect during fiscal year 2020 for managed wireless hosting, phone VOIP services, data services, hardware maintenance and switch installation. Connect is governed by a nine-member Board of Directors consisting of superintendents from member school districts. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 5700 West Canal Road, Valley View, Ohio 44125.

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

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

*INSURANCE PURCHASING POOLS*

Suburban Health Consortium

The Suburban Health Consortium (Consortium) is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one-hundred-eighty days prior to the effective date of withdrawal.

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets.

Financial information for the Consortium can be obtained from Todd Puster, Treasurer of Orange City School District (Fiscal Agent) at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124-5974.

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

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

Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

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

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

Adult Education fund - The adult education special revenue fund is used to account for tuition, classroom materials and fees, customer services, and intergovernmental revenues to be used in connection with adult education classes.

Permanent Improvement Fund - The permanent improvement capital projects fund accounts for transfers from the General fund to be used in the acquisition, construction, or improvement of capital facilities.

Nonmajor governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*FIDUCIARY FUNDS*

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

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

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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 government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 to the District's net pension liability and net OPEB liability/asset, respectively.

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

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



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

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

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

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

**E. Budgetary Data**

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

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

**Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

**Estimated Resources:**

Prior to April 1, unless a later date is approved by the Tax Commissioner, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2020.

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

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

Appropriations:

Upon receipt from the County Fiscal Officer of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution from the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, supplemental appropriations were legally enacted by the Board.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through District records. During fiscal year 2020, investments consisted of Federal Agency securities, commercial paper, negotiable certificates of deposit (CDs), U.S. government money market fund, U.S. Treasury note and STAR Ohio. Except for STAR Ohio, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the private purpose trust and public support funds which are individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$397,210 which includes \$84,097 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 values as of the date received. The District maintains a capitalization threshold of \$1,000 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:

| <u>Description</u>         | Governmental<br>Activities<br><u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 25 years   |
| Buildings and improvements | 25 - 50 years  |
| Furniture and equipment    | 5 - 20 years   |
| Vehicles                   | 6 - 10 years   |

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from interfund loans are classified as “interfund loans receivable/payable” and “loans receivable/payable”. These amounts are eliminated in the governmental activities column on 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. Sick leave benefits are accrued as a liability using the vesting method. Under this method, a liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Anticipated retirement was based on 40 years of age and at least 6 years experience at the District. If 6 years experience was achieved, the District anticipated at least 10 years of service at retirement.

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, net pension liability, net OPEB liability and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. 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.

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

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

**L. 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 either in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned amounts include all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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.

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 amounts restricted for other purposes represents amounts restricted for trusts help for scholarships.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**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. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. On Behalf Payments for Other Entities**

The District receives monies that are spent on behalf of another school district or entity, which is reported on the financial statements as “On behalf payments for other entities”. These activities are reported as a governmental activity of the District.

**R. 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 2020, there were no extraordinary or special items.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**T. Fair Value**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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

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

|   | <u>General</u>       | <u>Adult<br/>Education</u> | <u>Permanent<br/>Improvement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|----------------------------|---|---|---|
| Fund Balance as previously reported     | \$ 17,352,162        | \$ (108,633)               | \$ 3,052,744                              | \$ (666)                                | \$ 20,295,607                           |
| GASB Statement No. 84                   | <u>(47,477)</u>      | <u>-</u>                   | <u>-</u>                                  | <u>94,815</u>                           | <u>47,338</u>                           |
| Restated Fund Balance, at June 30, 2019 | <u>\$ 17,304,685</u> | <u>\$ (108,633)</u>        | <u>\$ 3,052,744</u>                       | <u>\$ 94,149</u>                        | <u>\$ 20,342,945</u>                    |

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Net position as previously reported    | \$ 18,577,196                      |
| GASB Statement No. 84                  | <u>47,338</u>                      |
| Restated net position at June 30, 2019 | <u>\$ 18,624,534</u>               |

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$17,519. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$116,596.

Related to the implementation of GASB Statement No. 84, the entity is currently not reporting private purpose trust funds. At December 31, 2019, private purpose funds reported a net position of \$94,815.



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

**C. Deficit Fund Balances**

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

|                                    |                |
|------------------------------------|----------------|
| <u>Major special revenue fund:</u> | <u>Deficit</u> |
| Adult education                    | \$ 14,200      |
|                                    |                |
| <u>Nonmajor governmental funds</u> |                |
| Food service                       | 51,653         |

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.

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

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

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

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.

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

**A. Cash on Hand**

At fiscal year end, the District had \$1,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$686,171 and the bank balance of all District deposits was \$711,072. Of the bank balance, \$271,509 was covered by the FDIC and \$439,563 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District 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 2020, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

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

| Measurement/<br><u>Investment Type</u> | Measurement<br><u>Value</u> | <u>Investment Maturities</u> |                          |                           |                            |                                  |
|--|-----------------------------|------------------------------|--------------------------|---------------------------|----------------------------|----------------------------------|
|  |                             | 6 months or<br><u>less</u>   | 7 to 12<br><u>months</u> | 13 to 18<br><u>months</u> | 19 to 24<br><u>months</u>  | Greater than<br><u>24 months</u> |
| <i>Fair Value:</i>                     |                             |                              |                          |                           |                            |                                  |
| FHLMC                                  | \$ 575,061                  | \$ -                         | \$ -                     | \$ -                      | \$ -                       | \$ 575,061                       |
| FNMA                                   | 316,722                     | -                            | -                        | -                         | -                          | 316,722                          |
| FFCB                                   | 2,059,989                   | -                            | -                        | -                         | -                          | 2,059,989                        |
| Commercial paper                       | 2,519,409                   | 2,519,409                    | -                        | -                         | -                          | -                                |
| Negotiable CDs                         | 8,492,493                   | 496,996                      | 697,940                  | 251,582                   | 1,566,201                  | 5,479,774                        |
| U.S. Government<br>money market        | 494,499                     | 494,499                      | -                        | -                         | -                          | -                                |
| U.S. Treasury Note                     | 680,303                     | -                            | -                        | -                         | -                          | 680,303                          |
| <i>Amortized Cost:</i>                 |                             |                              |                          |                           |                            |                                  |
| STAR Ohio                              | <u>5,378,040</u>            | <u>5,378,040</u>             | <u>-</u>                 | <u>-</u>                  | <u>-</u>                   | <u>-</u>                         |
| <b>Total</b>                           | <b><u>\$ 20,516,516</u></b> | <b><u>\$ 8,888,944</u></b>   | <b><u>\$ 697,940</u></b> | <b><u>\$ 251,582</u></b>  | <b><u>\$ 1,566,201</u></b> | <b><u>\$ 9,111,849</u></b>       |

The weighted average maturity of investments is 1.80 year.

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

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

*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:* The District's investments in Federal Agency securities and U.S. Treasury note were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. Government money market, commercial paper and negotiable CDs were not rated. The negotiable CDs were fully covered by the FDIC. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*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 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, 2020:

| <u>Measurement/Investment type</u> | <u>Fair Value</u>    | <u>% to Total</u> |
|------------------------------------|----------------------|-------------------|
| <i>Fair Value:</i>                 |                      |                   |
| FHLMC                              | \$ 575,061           | 2.80              |
| FNMA                               | 316,722              | 1.54              |
| FFCB                               | 2,059,989            | 10.04             |
| Commercial paper                   | 2,519,409            | 12.28             |
| Negotiable CDs                     | 8,492,493            | 41.39             |
| U.S. Government money market       | 494,499              | 2.41              |
| U.S. Treasury note                 | 680,303              | 3.33              |
| <i>Amortized Cost:</i>             |                      |                   |
| STAR Ohio                          | <u>5,378,040</u>     | <u>26.21</u>      |
| Total                              | <u>\$ 20,516,516</u> | <u>100.00</u>     |

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

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

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

|   |                      |
|---|----------------------|
| <u>Cash and investments per note</u>                          |                      |
| Carrying amount of deposits                                   | \$ 686,171           |
| Investments   | 20,516,516           |
| Cash on hand  | <u>1,500</u>         |
| Total   | <u>\$ 21,204,187</u> |
| <br><u>Cash and investments per statement of net position</u> |                      |
| Governmental activities                                       | \$ 21,109,187        |
| Custodial fund  | <u>95,000</u>        |
| Total   | <u>\$ 21,204,187</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2020 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable fund</u>                      | <u>Amount</u>     |
|------------------------|--|-------------------|
| General                | Adult education                          | \$ 200,000        |
|                        | Nonmajor special revenue funds:          |                   |
|                        | Food service                             | 45,000            |
|                        | Vocational education                     | 816               |
|                        | Miscellaneous federal grants             | <u>6,995</u>      |
|                        |  | <u>252,811</u>    |
| Adult education        | Nonmajor special revenue fund:           |                   |
|                        | Miscellaneous federal grants             | 32,239            |
| Permanent improvement  | Nonmajor special revenue fund:           |                   |
|                        | Miscellaneous federal grants             | <u>3,765</u>      |
|                        | Total interfund loans receivable/payable | <u>\$ 288,815</u> |

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30. For the vocational education nonmajor special revenue fund, a cash request was submitted prior to June 30, 2020, to cover expenses for the reimbursable grant. For the interfund balances payable in the miscellaneous Federal grants special revenue fund, the District has charged back allowable fiscal year 2020 expenditures to the respective funds under the Higher Education Emergency Relief Fund program. The interfund balance will be repaid once the anticipated revenues are received and is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2020 are reported on the Statement of Net Position.

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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Loans between governmental funds and custodial funds are reported as “loans receivable/payable” on the financial statements. The District had the following loans outstanding at fiscal year-end:

| <u>Loan from:</u> | <u>Loan to:</u>    | <u>Amount</u> |
|-------------------|--------------------|---------------|
| General           | Custodial fund:    |               |
|                   | Student activities | \$ 50,000     |

These loans are expected to be repaid in the subsequent year as resources become available in the custodial funds.

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

| <u>Transfers from:</u> | <u>Transfers to:</u>                       | <u>Amount</u>       |
|------------------------|--|---------------------|
| General fund           | Permanent improvement                      | \$ 3,149,888        |
| General fund           | Nonmajor special revenue food service fund | <u>21,528</u>       |
|                        | Total transfers                            | <u>\$ 3,171,416</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. 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 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The District receives property taxes from Cuyahoga and Summit Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$1,168,029 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$1,993,545 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

|   | 2019 Second Half Collections |                | 2020 First Half Collections |                |
|---|------------------------------|----------------|-----------------------------|----------------|
|   | <u>Amount</u>                | <u>Percent</u> | <u>Amount</u>               | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 6,202,634,270             | 95.96          | \$ 6,273,535,450            | 95.79          |
| Public utility personal                           | <u>260,838,110</u>           | <u>4.04</u>    | <u>275,933,440</u>          | <u>4.21</u>    |
| Total   | <u>\$ 6,463,472,380</u>      | <u>100.00</u>  | <u>\$ 6,549,468,890</u>     | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$2.00                       |                | \$2.00                      |                |

**NOTE 7 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property and business owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property and business owners who renovate or construct new buildings or bring new jobs into the area. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock, the development of new structures, and economic growth. Within the taxing districts of the District, certain municipal governments located in the counties of Cuyahoga and Summit have entered into such agreements. Under these agreements, the District’s property taxes were reduced by \$19,526 in Cuyahoga County and \$84,293 in Summit County. The District is not receiving any amounts from the other governments in association with the forgone property tax revenue.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - RECEIVABLES**

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

**Governmental activities:**

|                          |                      |
|--------------------------|----------------------|
| Property taxes           | \$ 12,179,220        |
| Payment in lieu of taxes | 111,030              |
| Accounts                 | 744                  |
| Intergovernmental        | 69,439               |
| Accrued interest         | <u>49,014</u>        |
| Total                    | <u>\$ 12,409,447</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 9 - CAPITAL ASSETS**

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

|   | <u>Balance</u><br><u>06/30/19</u> | <u>Additions</u>    | <u>Deductions</u>  | <u>Balance</u><br><u>06/30/20</u> |
|---|-----------------------------------|---------------------|--------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> |                                   |                     |                    |                                   |
| Land  | \$ 563,010                        | \$ -                | \$ -               | \$ 563,010                        |
| Construction in progress                      | <u>-</u>                          | <u>2,071,087</u>    | <u>-</u>           | <u>2,071,087</u>                  |
| Total capital assets, not being depreciated   | <u>563,010</u>                    | <u>2,071,087</u>    | <u>-</u>           | <u>2,634,097</u>                  |
| <i>Capital assets, being depreciated:</i>     |                                   |                     |                    |                                   |
| Land improvements                             | 33,350                            | -                   | -                  | 33,350                            |
| Buildings and improvements                    | 22,651,498                        | -                   | -                  | 22,651,498                        |
| Furniture and equipment                       | 9,998,002                         | 163,635             | (4,727)            | 10,156,910                        |
| Vehicles                                      | <u>372,826</u>                    | <u>200,728</u>      | <u>(87,866)</u>    | <u>485,688</u>                    |
| Total capital assets, being depreciated       | <u>33,055,676</u>                 | <u>364,363</u>      | <u>(92,593)</u>    | <u>33,327,446</u>                 |
| <i>Less: accumulated depreciated</i>          |                                   |                     |                    |                                   |
| Land improvements                             | (3,335)                           | (1,334)             | -                  | (4,669)                           |
| Buildings and improvements                    | (10,863,027)                      | (554,980)           | -                  | (11,418,007)                      |
| Furniture and equipment                       | (7,578,662)                       | (317,474)           | 3,380              | (7,892,756)                       |
| Vehicles                                      | <u>(280,867)</u>                  | <u>(14,338)</u>     | <u>79,078</u>      | <u>(216,127)</u>                  |
| Total accumulated depreciation                | <u>(18,725,891)</u>               | <u>(888,126)</u>    | <u>82,458</u>      | <u>(19,531,559)</u>               |
| Governmental activities capital assets, net   | <u>\$ 14,892,795</u>              | <u>\$ 1,547,324</u> | <u>\$ (10,135)</u> | <u>\$ 16,429,984</u>              |



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**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| <u>Instruction:</u>        |                   |
| Regular                    | \$ 10,828         |
| Special                    | 14,365            |
| Vocational                 | 652,366           |
| Adult education            | 12,893            |
| <u>Support services:</u>   |                   |
| Pupil                      | 3,591             |
| Instructional staff        | 131,503           |
| Administration             | 12,059            |
| Fiscal                     | 6,658             |
| Business                   | 3,591             |
| Operations and maintenance | 29,779            |
| Pupil transportation       | 3,819             |
| Central                    | 2,676             |
| Food service operations    | <u>3,998</u>      |
| Total depreciation expense | <u>\$ 888,126</u> |

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2020, the following changes occurred in the governmental activities long-term obligations.

|                                 | Balance              |                   |                     | Balance              | Amounts           |
|---------------------------------|----------------------|-------------------|---------------------|----------------------|-------------------|
|                                 | <u>06/30/19</u>      | <u>Additions</u>  | <u>Reductions</u>   | <u>06/30/20</u>      | <u>due in</u>     |
| <b>Governmental activities:</b> |                      |                   |                     |                      | <u>one year</u>   |
| Compensated absences payable    | \$ 1,294,860         | \$ 209,180        | \$ (181,405)        | \$ 1,322,635         | \$ 112,178        |
| Net pension liability           | 15,525,493           | 516,056           | -                   | 16,041,549           | -                 |
| Net OPEB liability              | <u>1,815,979</u>     | <u>-</u>          | <u>(118,511)</u>    | <u>1,697,468</u>     | <u>-</u>          |
| Total long-term obligations     | <u>\$ 18,636,332</u> | <u>\$ 725,236</u> | <u>\$ (299,916)</u> | <u>\$ 19,061,652</u> | <u>\$ 112,178</u> |

Net pension liability - The District pays obligations related to employee compensation from the fund benefitting from their service. See Note 13 for details.

Net OPEB liability/asset - The District pays obligations related to employee compensation from the fund benefitting from their service. See Note 14 for details.

Compensated absences - Compensated absences will be paid from the fund from which the employee is paid. The compensated absences payments primarily will be made from the general fund.

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$589,452,200 and an unvoted debt margin of \$6,549,469.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and Ohio Association of Public School Employees (OAPSE) employees earn 5 to 25 days of vacation per year, depending upon length of service and or hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Administrators, support, and classified employees employed to work two hundred sixty (260) days per year earn up to 20 days of vacation per year and are granted 1 additional day of vacation after the first 2 years of uninterrupted service with the District and 1 additional day of vacation for every 2 years following the second year, up to a maximum of five (5) additional days. OAPSE employees employed to work two hundred sixty (260) days per year earn 5 days of vacation after completing 1 year of uninterrupted service and are then granted 5 additional days of vacation after the first 2 years of uninterrupted service with the District. After 5 years of uninterrupted service an additional 5 days of vacation are granted. After 10 years an additional 5 days of vacation is again granted, for a total of 4 weeks of vacation. After 10 years 1 additional day per years is given to a maximum of 5 additional days. Teachers and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 380 days for both certified and classified employees.

Upon retirement, all employees are entitled to the following severance payments:

Certified employees receive a payment for twenty-five percent of their accrued, but unused sick leave to a maximum of seventy-five (75) days. Certified employees are also entitled to one-quarter day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed seven and a half (7.5) days.

Administrative, support staff and exempt employees receive a payment for up to twenty-five percent (25) of their accrued but unused sick leave to a maximum of seventy-five (75) days. A graduated severance chart starting at 3 years of service through 10 years of service with the District is used. Administrative, support staff and exempt employees are also entitled to one-half day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed seven and a half (7.5) days.

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**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

All OAPSE employees are entitled to payment for twenty-five percent of their accrued, but unused sick leave to a maximum of seventy-five (75) days. A graduated severance chart starting at 3 years of service through 10 years of service with the District is used. OAPSE employees are also entitled to one-half day of additional severance pay for each unused sick day in the final two years prior to severance. This additional severance shall not exceed thirty (30) days.

**B. Retirement Stipends**

The District provides a retirement stipend for administrative employees under the provisions of O.R.C. 3307.35 for qualifying persons who meet the eligibility requirements of the retirement stipend and elect to retire under STRS Ohio. A retirement stipend up to \$30,000 is offered to those employees who retire under STRS Ohio on or after July 1, 2015, but on or before June 30, of the contract year in which they are first eligible to retire. Employees must have notified the District no later than October 30 of the contract year during which the employee first becomes or will become eligible to retire, of his/her intention to retire on or before June 30. The District had no STRS Ohio employees who took advantage of the retirement stipend during fiscal year 2020.

The District provides a retirement stipend for support and classified exempt employees under the provisions of O.R.C. 3307.35 for qualifying persons who meet the eligibility requirements of the stipend and elect to retire under STRS/SERS. The retirement stipend is equal to 25% of the employee's annual base salary and is offered to employees who retire on or after July 1, 2015, but on or before June 30, of the contract year in which they are first eligible to retire. Employees must have notified the District no later than the last business day of October of the contract year of retirement, stating his/her intentions to retire. The District had one support and classified exempt employee who took advantage of the retirement stipend during fiscal year 2020.

**C. Retirement Pick-up**

For all administrators, supervisory support and classified exempt central office employees, the Board has established procedures for the automatic pick-up of the employee's portion of the retirement system contribution and Medicare tax from the employee's salary.

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**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for liability, property, fleet and excess liability through USI Insurance Services formerly known as Wells Fargo Insurance Services USA Inc.

| <u>Coverage</u>                                  | <u>Limits of Coverage</u>                           |
|--|---|
| Liability:                                       |   |
| General liability - per occurrence/aggregate     | \$1,000,000/\$2,000,000                             |
| Sexual abuse/molestation - per occurrence        | \$1,000,000   |
| Errors and omission - per occurrence/aggregate   | \$1,000,000/\$1,000,000                             |
| Property:  |   |
| Blanket building and contents - value/deductible | \$60,284,884/\$1,000                                |
| Inland marine                                    | \$500 deductible                                    |
| EDP  | \$500 deductible                                    |
| Equipment breakdown                              | \$1,000 deductible                                  |
| Fleet:   |   |
| Combined single limit                            | \$1,000,000   |
| Uninsured motorist                               | \$1,000,000   |
| Comprehensive/collision                          | \$500/\$500 deductible                              |
| Medical payments                                 | \$5,000   |
| Excess liability - per occurrence/aggregate      | \$5,000,000 in addition to<br>Each line of coverage |

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

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to all regular full-time contracted employees in the following amounts:

|   |                               |
|---|-------------------------------|
| Certified employees   | \$50,000                      |
| Administrative, support, and<br>classified exempt employees | 2.5 times their annual salary |
| Classified employees  | \$50,000                      |

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Health Benefits**

The School District (Consortium Member) participates in the Suburban Health Consortium (Consortium), a shared risk pool (Note 2.A.), to provide group health, life, dental and/or other insurance coverages. Consortium Member premium rates are set or determined by the Board of Directors. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each Consortium Member may require contributions from its employees toward the cost of any benefit program being offered by the Consortium Member and such contributions shall be included in the payments from such Consortium Member to the Fiscal Agent of the Consortium for such benefit program. Consortium Members pay a monthly premium to the Consortium. Because the School District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

**D. Workers' Compensation**

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was \$356,211 for fiscal year 2020. Of this amount, \$27,603 is reported as pension and postemployment benefits payable.

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

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

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

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

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

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

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

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

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

The District's contractually required contribution to STRS was \$864,274 for fiscal year 2020. Of this amount, \$135,894 is reported as pension and postemployment benefits payable.

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

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



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

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

|  | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u>  |
|--|--------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date   | 0.07042370%        | 0.05226635%        |               |
| Proportion of the net pension liability current measurement date | <u>0.07223420%</u> | <u>0.05299556%</u> |               |
| Change in proportionate share                                    | <u>0.00181050%</u> | <u>0.00072921%</u> |               |
| Proportionate share of the net pension liability                 | \$ 4,321,899       | \$ 11,719,650      | \$ 16,041,549 |
| Pension expense  | \$ 586,726         | \$ 1,401,858       | \$ 1,988,584  |

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

|   | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|---|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>   |                   |                     |                     |
| Differences between expected and actual experience  | \$ 109,593        | \$ 95,419           | \$ 205,012          |
| Changes of assumptions  | -                 | 1,376,698           | 1,376,698           |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 61,336            | 91,302              | 152,638             |
| Contributions subsequent to the measurement date  | <u>356,211</u>    | <u>864,274</u>      | <u>1,220,485</u>    |
| Total deferred outflows of resources  | <u>\$ 527,140</u> | <u>\$ 2,427,693</u> | <u>\$2,954,833</u>  |
| <b>Deferred inflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience  | \$ -              | \$ 50,732           | \$ 50,732           |
| Net difference between projected and actual earnings on pension plan investments                                  | 55,476            | 572,792             | 628,268             |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>66,664</u>     | <u>363,724</u>      | <u>430,388</u>      |
| Total deferred inflows of resources   | <u>\$ 122,140</u> | <u>\$ 987,248</u>   | <u>\$ 1,109,388</u> |

\$1,220,485 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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

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

| Fiscal Year Ending June 30: | <u>SERS</u>      | <u>STRS</u>       | <u>Total</u>      |
|-----------------------------|------------------|-------------------|-------------------|
| 2021                        | \$ 96,561        | \$ 576,547        | \$ 673,108        |
| 2022                        | (75,543)         | 9,025             | (66,518)          |
| 2023                        | (3,691)          | (101,698)         | (105,389)         |
| 2024                        | 31,462           | 92,297            | 123,759           |
| Total                       | <u>\$ 48,789</u> | <u>\$ 576,171</u> | <u>\$ 624,960</u> |

***Actuarial Assumptions - SERS***

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

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

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

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

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

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

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

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

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

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

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

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

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

|  | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| District's proportionate share<br>of the net pension liability | \$ 6,056,525       | \$ 4,321,899                     | \$ 2,867,197       |

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

*Actuarial Assumptions - STRS*

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

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

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

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

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

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

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

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

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

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

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

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|--|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$17,126,962 | \$ 11,719,650            | \$ 7,142,082 |

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

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

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$8,478.

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

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 \$8,478 for fiscal year 2020. Of this amount, \$8,478 is reported as pension and postemployment benefits payable.

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

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

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

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

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

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

|   | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.06545790%        | 0.05226635%        |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.06749940%</u> | <u>0.05299556%</u> |              |
| Change in proportionate share                                       | <u>0.00204150%</u> | <u>0.00072921%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 1,697,468       | \$ -               | \$ 1,697,468 |
| Proportionate share of the net OPEB asset                           | \$ -               | \$ (877,733)       | \$ (877,733) |
| OPEB expense  | \$ 5,667           | \$ (289,579)       | \$ (283,912) |

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

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

|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|--|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience   | \$ 24,918         | \$ 79,574           | \$ 104,492          |
| Net difference between projected and actual earnings on OPEB plan investments  | 4,074             | -                   | 4,074               |
| Changes of assumptions   | 123,981           | 18,450              | 142,431             |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | 24,326            | 4,202               | 28,528              |
| Contributions subsequent to the measurement date   | <u>8,478</u>      | <u>-</u>            | <u>8,478</u>        |
| Total deferred outflows of resources   | <u>\$ 185,777</u> | <u>\$ 102,226</u>   | <u>\$ 288,003</u>   |
|  | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
| <b>Deferred inflows of resources</b>   |                   |                     |                     |
| Differences between expected and actual experience   | \$ 372,922        | \$ 44,656           | \$ 417,578          |
| Net difference between projected and actual earnings on OPEB plan investments  | -                 | 55,128              | 55,128              |
| Changes of assumptions   | 95,119            | 962,332             | 1,057,451           |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>93,302</u>     | <u>87,112</u>       | <u>180,414</u>      |
| Total deferred inflows of resources  | <u>\$ 561,343</u> | <u>\$ 1,149,228</u> | <u>\$ 1,710,571</u> |

\$8,478 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                             | <u>SERS</u>         | <u>STRS</u>           | <u>Total</u>          |
|-----------------------------|---------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: |                     |                       |                       |
| 2021                        | \$ (137,177)        | \$ (230,372)          | \$ (367,549)          |
| 2022                        | (60,123)            | (230,372)             | (290,495)             |
| 2023                        | (58,929)            | (208,279)             | (267,208)             |
| 2024                        | (59,124)            | (200,526)             | (259,650)             |
| 2025                        | (49,022)            | (180,678)             | (229,700)             |
| Thereafter                  | <u>(19,670)</u>     | <u>3,226</u>          | <u>(16,444)</u>       |
| Total                       | <u>\$ (384,045)</u> | <u>\$ (1,047,001)</u> | <u>\$ (1,431,046)</u> |



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

*Actuarial Assumptions - SERS*

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

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

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

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

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a 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.

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

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

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

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

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

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|--|--------------|--------------------------|--------------|
| District's proportionate share of the net OPEB liability | \$ 2,060,404 | \$ 1,697,468             | \$ 1,408,891 |

|  | 1% Decrease  | Current<br>Trend Rate | 1% Increase  |
|--|--------------|-----------------------|--------------|
| District's proportionate share of the net OPEB liability | \$ 1,360,016 | \$ 1,697,468          | \$ 2,145,185 |

**Actuarial Assumptions - STRS**

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

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

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

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

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

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

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

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

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<br>Allocation* | Long-Term Expected<br>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>       |  |

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

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

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

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

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

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

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 748,971  | \$ 877,733               | \$ 985,993  |

|   | 1% Decrease | Current<br>Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 995,310  | \$ 877,733            | \$ 733,731  |

**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.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and adult education 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) While not legally required, the District budgets advances-in and advances-out as 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).

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

|   | <u>General Fund</u> | <u>Adult<br/>Education Fund</u> |
|---|---------------------|---------------------------------|
| Budget basis                            | \$ (488,198)        | \$ (43,458)                     |
| Net adjustment for revenue accruals     | (547,552)           | 23,536                          |
| Net adjustment for expenditure accruals | 44,772              | 89,580                          |
| Net adjustment for other sources/uses   | (36,803)            | 4,596                           |
| Funds budgeted elsewhere **             | 78,492              | -                               |
| Adjustment for encumbrances             | <u>228,172</u>      | <u>18,118</u>                   |
| GAAP basis                              | <u>\$ (721,117)</u> | <u>\$ 92,372</u>                |

\*\*Some funds are included in the general fund (GAAP-basis), but have separate legally adopted budgets (budget basis). The funds include: uniform school supplies, rotary fund-special services, public school support, other grant special revenue funds and the district agency fund.

**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 involved in material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, 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, 2020 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.

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

**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 requirements 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<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2019             | \$ -                            |
| Current year set-aside requirement          | 77,132                          |
| Current year qualifying expenditures        | <u>(2,599,297)</u>              |
| Total                                       | <u>\$ (2,522,165)</u>           |
| Balance carried forward to fiscal year 2021 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2020             | <u>\$ -</u>                     |

**NOTE 18 - COMMITMENTS**

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

|                       | <u>Year-End<br/>Encumbrances</u> |
|-----------------------|----------------------------------|
| <u>Fund</u>           |                                  |
| General               | \$ 229,430                       |
| Adult education       | 11,431                           |
| Permanent improvement | 2,379,123                        |
| Other governmental    | <u>48,304</u>                    |
| Total                 | <u>\$ 2,668,288</u>              |

**NOTE 19 - COVID 19**

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

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REQUIRED SUPPLEMENTARY INFORMATION

**CUYAHOGA VALLEY CAREER CENTER  
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 SEVEN FISCAL YEARS

|  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability   | 0.07223420%  | 0.07042370%  | 0.07117350%  | 0.07561390%  |
| District's proportionate share of the net pension liability  | \$ 4,321,899 | \$ 4,033,296 | \$ 4,252,459 | \$ 5,534,240 |
| District's covered payroll   | \$ 2,515,756 | \$ 2,257,089 | \$ 2,280,500 | \$ 2,370,679 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 171.79%      | 178.69%      | 186.47%      | 233.45%      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 70.85%       | 71.36%       | 69.50%       | 62.98%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
|--------------|--------------|--------------|
| 0.07669700%  | 0.09064900%  | 0.09064900%  |
| \$ 4,376,405 | \$ 4,587,694 | \$ 5,390,605 |
| \$ 2,308,976 | \$ 2,634,076 | \$ 4,343,360 |
| 189.54%      | 174.17%      | 124.11%      |
| 69.16%       | 71.70%       | 65.52%       |

**CUYAHOGA VALLEY CAREER CENTER  
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 SEVEN FISCAL YEARS

|  | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   |
|--|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability   | 0.05299556%   | 0.05226635%   | 0.05317202%   | 0.05514244%   |
| District's proportionate share of the net pension liability  | \$ 11,719,650 | \$ 11,492,197 | \$ 12,631,127 | \$ 18,457,837 |
| District's covered payroll   | \$ 6,265,729  | \$ 5,775,457  | \$ 6,121,250  | \$ 5,751,557  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 187.04%       | 198.98%       | 206.35%       | 320.92%       |
| Plan fiduciary net position as a percentage of the total pension liability                         | 77.40%        | 77.31%        | 75.30%        | 66.80%        |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|---------------|---------------|---------------|
| 0.05541475%   | 0.05761420%   | 0.05761420%   |
| \$ 15,315,016 | \$ 14,013,767 | \$ 16,693,108 |
| \$ 5,844,300  | \$ 5,886,577  | \$ 7,019,454  |
| 262.05%       | 238.06%       | 237.81%       |
| 72.10%        | 74.70%        | 69.30%        |

**CUYAHOGA VALLEY CAREER CENTER  
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>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 356,211       | \$ 339,627       | \$ 304,707       | \$ 319,270       |
| Contributions in relation to the contractually required contribution | <u>(356,211)</u> | <u>(339,627)</u> | <u>(304,707)</u> | <u>(319,270)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 2,544,364     | \$ 2,515,756     | \$ 2,257,089     | \$ 2,280,500     |
| Contributions as a percentage of covered payroll                     | 14.00%           | 13.50%           | 13.50%           | 14.00%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 331,895       | \$ 304,323       | \$ 365,083       | \$ 601,121       | \$ 639,004       | \$ 582,929       |
| <u>(331,895)</u> | <u>(304,323)</u> | <u>(365,083)</u> | <u>(601,121)</u> | <u>(639,004)</u> | <u>(582,929)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 2,370,679     | \$ 2,308,976     | \$ 2,634,076     | \$ 4,343,360     | \$ 4,750,959     | \$ 4,637,462     |
| 14.00%           | 13.18%           | 13.86%           | 13.84%           | 13.45%           | 12.57%           |

**CUYAHOGA VALLEY CAREER CENTER  
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>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 864,274       | \$ 877,202       | \$ 808,564       | \$ 856,975       |
| Contributions in relation to the contractually required contribution | <u>(864,274)</u> | <u>(877,202)</u> | <u>(808,564)</u> | <u>(856,975)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 6,173,386     | \$ 6,265,729     | \$ 5,775,457     | \$ 6,121,250     |
| Contributions as a percentage of covered payroll                     | 14.00%           | 14.00%           | 14.00%           | 14.00%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



| <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>        | <u>2011</u>        |
|------------------|------------------|------------------|------------------|--------------------|--------------------|
| \$ 805,218       | \$ 818,202       | \$ 765,255       | \$ 912,529       | \$ 1,007,749       | \$ 1,007,273       |
| <u>(805,218)</u> | <u>(818,202)</u> | <u>(765,255)</u> | <u>(912,529)</u> | <u>(1,007,749)</u> | <u>(1,007,273)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 5,751,557     | \$ 5,844,300     | \$ 5,886,577     | \$ 7,019,454     | \$ 7,751,915       | \$ 7,748,254       |
| 14.00%           | 14.00%           | 13.00%           | 13.00%           | 13.00%             | 13.00%             |

**CUYAHOGA VALLEY CAREER CENTER  
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 FOUR FISCAL YEARS

|   | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability   | 0.06749940%  | 0.06545790%  | 0.06705290%  | 0.07112492%  |
| District's proportionate share of the net OPEB liability  | \$ 1,697,468 | \$ 1,815,979 | \$ 1,799,524 | \$ 2,027,323 |
| District's covered payroll  | \$ 2,515,756 | \$ 2,257,089 | \$ 2,280,500 | \$ 2,370,679 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 67.47%       | 80.46%       | 78.91%       | 85.52%       |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 15.57%       | 13.57%       | 12.46%       | 11.49%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CUYAHOGA VALLEY CAREER CENTER  
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 FOUR FISCAL YEARS

|   | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability/asset   | 0.05299556%  | 0.05226635%  | 0.05317202%  | 0.05514244%  |
| District's proportionate share of the net OPEB liability/(asset)                                      | \$ (877,733) | \$ (839,867) | \$ 2,074,576 | \$ 2,949,032 |
| District's covered payroll  | \$ 6,265,729 | \$ 5,775,457 | \$ 6,121,250 | \$ 5,751,557 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.01%       | 14.54%       | 33.89%       | 51.27%       |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset                         | 174.40%      | 176.00%      | 47.10%       | 37.30%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CUYAHOGA VALLEY CAREER CENTER  
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>2020</u>    | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     |
|--|----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 8,478       | \$ 23,192       | \$ 20,060       | \$ 12,623       |
| Contributions in relation to the contractually required contribution | <u>(8,478)</u> | <u>(23,192)</u> | <u>(20,060)</u> | <u>(12,623)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll   | \$ 2,544,364   | \$ 2,515,756    | \$ 2,257,089    | \$ 2,280,500    |
| Contributions as a percentage of covered payroll                     | 0.33%          | 0.92%           | 0.89%           | 0.55%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  | <b>2011</b>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 12,386    | \$ 25,975    | \$ 40,069    | \$ 80,487    | \$ 120,801   | \$ 148,801   |
| (12,386)     | (25,975)     | (40,069)     | (80,487)     | (120,801)    | (148,801)    |
| \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| \$ 2,370,679 | \$ 2,308,976 | \$ 2,634,076 | \$ 4,343,360 | \$ 4,750,959 | \$ 4,637,462 |
| 0.52%        | 1.12%        | 1.52%        | 1.85%        | 2.54%        | 3.21%        |

**CUYAHOGA VALLEY CAREER CENTER  
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>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|
| Contractually required contribution                                     | \$ -         | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the<br>contractually required contribution | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Contribution deficiency (excess)  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's covered payroll  | \$ 6,173,386 | \$ 6,265,729 | \$ 5,775,457 | \$ 6,121,250 |
| Contributions as a percentage of<br>covered payroll                     | 0.00%        | 0.00%        | 0.00%        | 0.00%        |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  | <b>2011</b>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ -         | \$ -         | \$ 58,866    | \$ 70,195    | \$ 77,519    | \$ 77,483    |
| -            | -            | (58,866)     | (70,195)     | (77,519)     | (77,483)     |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 5,751,557 | \$ 5,844,300 | \$ 5,886,577 | \$ 7,019,454 | \$ 7,751,915 | \$ 7,748,254 |
| 0.00%        | 0.00%        | 1.00%        | 1.00%        | 1.00%        | 1.00%        |

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)



**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

## **SUPPLEMENTARY INFORMATION**

**CUYAHOGA VALLEY CAREER CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR/<br>SUB GRANTOR/<br>PROGRAM TITLE  | CFDA<br>NUMBER | (F)<br>PASS-THROUGH<br>GRANT<br>NUMBER | (A)<br>CASH<br>FEDERAL<br>DISBURSEMENTS |
|--|----------------|--|---|
| <b>U.S. DEPARTMENT OF AGRICULTURE<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b> |                |  |   |
| <b>Child Nutrition Cluster:</b>  |                |  |   |
| (D) National School Lunch Program - Food Donation  | 10.555         | 2020                                   | 6,300                                   |
| (C) National School Lunch Program - COVID 19   | 10.555         | 2020                                   | 2,797                                   |
| (C) National School Lunch Program  | 10.555         | 2020                                   | 36,252                                  |
| <b>Total National School Lunch Program</b>   |                |  | <u>45,349</u>                           |
| <b>Total U.S. Department of Agriculture and Child Nutrition Cluster</b>                        |                |  | <u>45,349</u>                           |
| <b>U.S. DEPARTMENT OF EDUCATION<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF EDUCATION:</b>   |                |  |   |
| <b>Student Financial Assistance Cluster:</b>   |                |  |   |
| (E) Federal Pell Grant Program   | 84.063         | N/A                                    | 249,980                                 |
| (E) Federal Direct Student Loans   | 84.268         | N/A                                    | 535,186                                 |
| <b>Total Student Financial Assistance Cluster</b>  |                |  | <u>785,166</u>                          |
| Career and Technical Education - Basic Grants to States  | 84.048         | 2019                                   | 56,380                                  |
| Career and Technical Education - Basic Grants to States  | 84.048         | 2020                                   | 303,222                                 |
| <b>Total Career and Technical Education - Basic Grants to States</b>                           |                |  | <u>359,602</u>                          |
| (E) Higher Education Emergency Relief Fund (HEERF) Student Aid Portion                         | 84.425E        | P425E2020844                           | 82,098                                  |
| (E) Higher Education Emergency Relief Fund (HEERF) Institutional Portion                       | 84.425F        | P425F200490                            | 42,998                                  |
| <b>Total Education Stabilization Fund</b>  |                |  | <u>125,096</u>                          |
| <b>Total U.S. Department of Education</b>  |                |  | <u>1,269,864</u>                        |
| <b>Total Federal Financial Assistance</b>  |                |  | <u>\$ 1,315,213</u>                     |

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

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

**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***

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

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 Cuyahoga Valley Career Center, Cuyahoga County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cuyahoga Valley Career Center's basic financial statements, and have issued our report thereon dated November 30, 2020, wherein we noted as described in Note 3 to the financial statements, the Cuyahoga Valley Career Center adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cuyahoga Valley Career Center'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 Cuyahoga Valley Career Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
November 30, 2020

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

Cuyahoga Valley Career Center  
Cuyahoga County  
8001 Brecksville Road  
Brecksville, Ohio 44141

To the Board of Education:

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Cuyahoga Valley Career Center's compliance.

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

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

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

Management of the Cuyahoga Valley Career Center 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 Cuyahoga Valley Career Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cuyahoga Valley Career Center's internal control over compliance.

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

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

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



Julian & Grube, Inc.  
November 30, 2020

**CUYAHOGA VALLEY CAREER CENTER  
CUYAHOGA COUNTY, OHIO**

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

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |   |  |
|--|---|--|
| <i>(d)(1)(i)</i>                       | <i>Type of Financial Statement Opinion</i>  | Unmodified   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>                        | No   |
| <i>(d)(1)(ii)</i>                      | <i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No   |
| <i>(d)(1)(iii)</i>                     | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>                              | No   |
| <i>(d)(1)(iv)</i>                      | <i>Were there any material internal control weaknesses reported for major federal programs?</i>                             | No   |
| <i>(d)(1)(iv)</i>                      | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i>                     | No   |
| <i>(d)(1)(v)</i>                       | <i>Type of Major Program's Compliance Opinion</i>   | Unmodified   |
| <i>(d)(1)(vi)</i>                      | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i>   | No   |
| <i>(d)(1)(vii)</i>                     | <i>Major Program (listed):</i>  | Career and Technical Education – Basic Grants to States (CFDA #84.048) |
| <i>(d)(1)(viii)</i>                    | <i>Dollar Threshold: Type A/B Programs</i>  | Type A: > \$750,000<br>Type B: all others                              |
| <i>(d)(1)(ix)</i>                      | <i>Low Risk Auditee under 2 CFR § 200.520?</i>  | Yes  |

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

None

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None



# OHIO AUDITOR OF STATE KEITH FABER



**CUYAHOGA VALLEY CAREER CENTER**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/9/2021**

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

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