

**RICHMOND HEIGHTS  
LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2023**

***Zupka & Associates***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Education  
Richmond Heights Local School District  
447 Richmond Road  
Richmond Heights, Ohio 44143

We have reviewed the *Independent Auditor's Report* of the Richmond Heights Local School District, Cuyahoga County, prepared by Zupka & Associates, for the audit period July 1, 2022 through June 30, 2023. 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 Richmond Heights Local School District 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

March 14, 2024

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

Richmond Heights Local School District  
Cuyahoga County  
447 Richmond Road  
Richmond Heights, Ohio 44143

To the Members of the Board of Education:

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

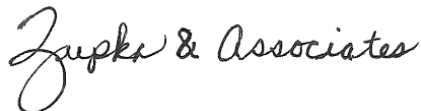


***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Zupka & Associates  
Certified Public Accountants

January 30, 2024

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## **Richmond Heights Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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The discussion and analysis of Richmond Heights Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2023 are as follows:

- The School District is committed to meeting the academic needs of our students by providing them with updated facilities and instructional materials to compete in a global market.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- Net position decreased in fiscal year 2023 largely due to an increase in expenditures related to a 3 percent contractual raise given to employees as well as significant maintenance work done to the elementary school to fix frozen pipe lines.

### **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 Richmond Heights Local School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's current finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant governmental funds with all other nonmajor funds presented in total in one column. The general fund and the bond retirement debt service fund are the most significant funds.

### ***Reporting the School 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 School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2023 fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## Richmond Heights Local School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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These two statements report the School District's net position and change in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to net position are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, State funding, student enrollment, and general inflation.

In the statement of net position and the statement of activities, the School District is divided into two major activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.
- **Business-Type Activities** – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The School District's business-type activities are food services and web check services.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions; however, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which accounts for flow of money into and out of those funds and the year-end balances available for spending in future years. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The School District has no internal service funds.

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

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements.

### **The School District as a Whole**

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2023 compared to 2022:

## Richmond Heights Local School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

**Table 1**  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and Other Assets	\$19,557,892	\$20,320,066	\$300,356	\$185,125	\$19,858,248	\$20,505,191
Net OPEB Asset	973,400	765,079	0	0	973,400	765,079
Capital Assets, Net	23,149,039	23,752,451	1,813,808	1,868,277	24,962,847	25,620,728
<b>Total Assets</b>	<b>43,680,331</b>	<b>44,837,596</b>	<b>2,114,164</b>	<b>2,053,402</b>	<b>45,794,495</b>	<b>46,890,998</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	3,748	7,496	0	0	3,748	7,496
Pension	2,760,012	2,442,110	0	0	2,760,012	2,442,110
OPEB	325,412	340,950	0	0	325,412	340,950
<b>Total Deferred Outflows of Resources</b>	<b>3,089,172</b>	<b>2,790,556</b>	<b>0</b>	<b>0</b>	<b>3,089,172</b>	<b>2,790,556</b>
<b>Liabilities</b>						
Current and Other Liabilities	1,887,518	1,712,386	134,102	22,095	2,021,620	1,734,481
Long-Term Liabilities:						
Due Within One Year	451,515	509,897	0	0	451,515	509,897
Due in More than One Year:						
Net Pension Liability	10,552,412	6,046,562	0	0	10,552,412	6,046,562
Net OPEB Liability	580,041	732,235	0	0	580,041	732,235
Other Amounts	27,004,701	27,349,050	0	0	27,004,701	27,349,050
<b>Total Liabilities</b>	<b>40,476,187</b>	<b>36,350,130</b>	<b>134,102</b>	<b>22,095</b>	<b>40,610,289</b>	<b>36,372,225</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	11,138,760	11,314,168	0	0	11,138,760	11,314,168
Pension	1,085,872	5,203,206	0	0	1,085,872	5,203,206
OPEB	1,632,520	1,525,878	0	0	1,632,520	1,525,878
<b>Total Deferred Inflows of Resources</b>	<b>13,857,152</b>	<b>18,043,252</b>	<b>0</b>	<b>0</b>	<b>13,857,152</b>	<b>18,043,252</b>
<b>Net Position</b>						
Net Investment in Capital Assets	(2,665,555)	(2,485,077)	1,813,808	1,868,277	(851,747)	(616,800)
Restricted for:						
Capital Projects	1,297,956	1,248,706	0	0	1,297,956	1,248,706
Debt Service	213,116	72,701	0	0	213,116	72,701
OPEB Plans	233,727	75,124	0	0	233,727	75,124
Other Purpose	48,077	45,007	0	0	48,077	45,007
Unrestricted (Deficit)	(6,691,157)	(5,721,691)	166,254	163,030	(6,524,903)	(5,558,661)
<b>Total Net Position</b>	<b>(\$7,563,836)</b>	<b>(\$6,765,230)</b>	<b>\$1,980,062</b>	<b>\$2,031,307</b>	<b>(\$5,583,774)</b>	<b>(\$4,733,923)</b>

The net pension liability (NPL) is one of the largest liabilities reported by the School District at June 30, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities.

## Richmond Heights Local School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 previously, 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.

For governmental activities, the decrease in capital assets was primarily due to depreciation exceeding capital outlay for the year.

Table 2 shows the changes in net position for fiscal year 2023 for both governmental activities and business-type activities. Revenue and expense comparisons can be made between fiscal years 2023 and 2022.

**Table 2**  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$367,385	\$266,735	\$78,004	\$6,616	\$445,389	\$273,351
Operating Grants and Contributions	1,880,873	1,724,799	390,081	558,583	2,270,954	2,283,382
Capital Grants	29,466	31,083	0	0	29,466	31,083
<i>Total Program Revenues</i>	<u>2,277,724</u>	<u>2,022,617</u>	<u>468,085</u>	<u>565,199</u>	<u>2,745,809</u>	<u>2,587,816</u>
General Revenues:						
Property Taxes	12,471,926	12,094,933	0	0	12,471,926	12,094,933
Grants and Entitlements	2,289,691	2,142,976	0	0	2,289,691	2,142,976
Investment Earnings	167,278	8,702	0	0	167,278	8,702
Miscellaneous	141,872	197,714	5,812	27,626	147,684	225,340
<i>Total General Revenues</i>	<u>15,070,767</u>	<u>14,444,325</u>	<u>5,812</u>	<u>27,626</u>	<u>15,076,579</u>	<u>14,471,951</u>
<b>Total Revenues</b>	<u>\$17,348,491</u>	<u>\$16,466,942</u>	<u>\$473,897</u>	<u>\$592,825</u>	<u>\$17,822,388</u>	<u>\$17,059,767</u>

(continued)

## Richmond Heights Local School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

**Table 2**  
Change in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program Expenses</b>						
Instruction	\$9,030,638	\$8,013,485	\$0	\$0	\$9,030,638	\$8,013,485
Support Services:						
Pupils and Instructional Staff	1,094,219	908,378	0	0	1,094,219	908,378
Board of Education, Administration, Fiscal and Business	2,586,478	2,165,225	0	0	2,586,478	2,165,225
Operation and Maintenance of Plant	2,348,826	1,711,202	0	0	2,348,826	1,711,202
Pupil Transportation	1,279,010	1,116,706	0	0	1,279,010	1,116,706
Central	306,393	354,376	0	0	306,393	354,376
Operation of Non-Instructional Services	50,860	70,467	0	0	50,860	70,467
Extracurricular Activities	375,058	346,137	0	0	375,058	346,137
Interest	1,075,615	1,079,568	0	0	1,075,615	1,079,568
Enterprise Operations	0	0	525,142	535,007	525,142	535,007
Total Program Expenses	<u>18,147,097</u>	<u>15,765,544</u>	<u>525,142</u>	<u>535,007</u>	<u>18,672,239</u>	<u>16,300,551</u>
Change in Net Position	(798,606)	701,398	(51,245)	57,818	(849,851)	759,216
<i>Net Position Beginning of Year</i>	<u>(6,765,230)</u>	<u>(6,135,407)</u>	<u>2,031,307</u>	<u>(99,383)</u>	<u>(4,733,923)</u>	<u>(6,234,790)</u>
<i>Net Position End of Year</i>	<u>(\$7,563,836)</u>	<u>(\$5,434,009)</u>	<u>\$1,980,062</u>	<u>(\$41,565)</u>	<u>(\$5,583,774)</u>	<u>(\$5,475,574)</u>

### ***Governmental Activities***

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Our School District, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically ask the voters to increase property taxes to maintain a constant level of service.

During fiscal year 2023, property tax revenue increased as home values increased from the prior year. The amount of tax collections available to be advanced to the School District at year end also increased from the prior year. The increase in unrestricted grants and entitlements was primarily related to School District foundation funding received from the State. During fiscal year 2023, School District foundation funding received from the State of Ohio was funded using a fair school funding plan model. Under this model, funding is driven by a base cost methodology that incorporates components necessary to the education process. For the School District, the base cost increased from the prior year which increased the amount of foundation funding received.

The largest component of the increase in program expenses resulted from a 3 percent contractual wage increase that employees received. In addition, changes in assumptions and benefit terms related to pensions in the prior year caused an increase in net pension liability from the prior year.

## Richmond Heights Local School District

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
Governmental Activities

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Instruction	\$9,030,638	\$7,788,519	\$8,013,485	\$7,073,837
Support Services:				
Pupils and Instructional Staff	1,094,219	708,905	908,378	410,060
Board of Education, Administration, Fiscal and Business	2,586,478	2,369,204	2,165,225	1,955,719
Operation and Maintenance of Plant	2,348,826	2,251,582	1,711,202	1,607,862
Pupil Transportation	1,279,010	1,127,363	1,116,706	994,171
Central	306,393	303,355	354,376	343,908
Operating of Non-Instructional Services	50,860	(73,500)	70,467	13,875
Extracurricular Activities	375,058	318,330	346,137	263,927
Interest	1,075,615	1,075,615	1,079,568	1,079,568
Total	<u>\$18,147,097</u>	<u>\$15,869,373</u>	<u>\$15,765,544</u>	<u>\$13,742,927</u>

### ***Business-Type Activities***

Business-type activities include the food service and web check services.

Overall business-type activities net position decreased due to a decrease in operating grants and contributions received from federal subsidies during the fiscal year. In June of 2011, the School District subcontracted the Latchkey Program to Step by Step Learning Centers. Step by Step continues to utilize the School District facilities on a rental basis back to the Richmond Heights Board of Education.

### **The School District's Funds**

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2023, total governmental funds had a decrease in fund balance due to an increase in expenditures as a result of contractual wage increases as well as expenditures outpacing revenues for the year. The general fund had a decrease in fund balance due to an increase in salaries. This increase was offset by an increase in property taxes and intergovernmental revenue as assessed values increased and State funding increased from the previous year.

### ***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2023, the School District amended its general fund budget several times.



## **Richmond Heights Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023  
Unaudited*

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For the general fund, the final budget basis revenue estimate was lower than actual revenues as a result of a conservative estimate of all revenues. The final budget appropriations were less than actual expenditures due to outstanding purchase orders not being closed at the end of the fiscal year.

### ***Capital Assets and Debt***

#### **Capital Assets**

During fiscal year 2023, governmental capital assets decreased primarily due to another year of depreciation/amortization. Additions for the year included a new school bus and new copiers to be paid through a financed purchase agreement.

For fiscal year 2023, an Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2023, this amounted to \$160,818. See Note 11 to the basic financial statements for additional information on capital assets and Note 17 for additional information regarding required set-asides.

#### **Debt**

At June 30, 2023, the School District had school facilities construction and improvement general obligation bonds, certificates of participation, energy conservation refunding notes, a school renovation and improvement financed purchase, furniture financed purchase, equipment financed purchase and lease payable with outstanding balances of \$17,939,356, \$7,869,947, \$51,000, \$680,000, \$293,855, \$44,492 and \$19,048, respectively. During fiscal year 2023, the School District entered into a finance purchase in the amount of \$47,338 for copiers. At June 30, 2023, the School District's overall legal debt margin was \$6,495,703 with an unvoted debt margin of \$245,302. More information on the School District's long-term obligations can be found in Note 14 to the basic financial statements.

#### **School District Outlook**

The Board of Education and administration are aware of their limited financial resources. Through careful planning, limiting spending, as well as staff reductions, the School District has been able to maintain stable operations.

Related to state funding, HB1 created a new financing system for school districts and other public entities that provide primary and secondary education implemented in fiscal year 2022. The Legislature approved the continued implementation in the fiscal year 2024-25 biennial budget. Full implementation of the Fair Funding Formula is expected to pass in fiscal year 2026-27 biennial budgeting period.

The School District continues to be affected by EdChoice vouchers. The State current formula uses the fiscal year 2020 as a base year as a base cost guarantee. The School District funding begins with a negative base cost of (\$193,759.65) for calculations as a result.

Real estate property tax revenue accounts for 75.16 percent of total revenue. Class I or residential/agricultural taxes make up approximately 75.23 percent of the real estate property tax revenue. For fiscal year 2023, the class I tax rate was 48.68 mills. The projections the School District is expecting to see reflect an average gross collection rate of 96.1 percent annually through tax year 2027. The revenue collections have changed at an average annual historical rate of 0.27 percent and is projected to change at an average annual rate of 0.43 percent through fiscal year 2028.

**Richmond Heights Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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The School District has committed itself to financial reporting excellence. Richmond Heights Local School District continues its commitment to continuous improvement in financial reporting to our community.

**Contacting the School District Fiscal Management**

This financial report was designed to comply with the most current reporting requirements and is intended to provide our parents, citizens, taxpayers, investors and creditors an understanding of the School District's financial position. If you have any questions about this report or need additional financial information, contact Cooper Martin, Treasurer/CFO, at Richmond Heights Local School District, 447 Richmond Road, Richmond Heights, Ohio 44143 or by email at [martin.cooper@richmondheightsschools.org](mailto:martin.cooper@richmondheightsschools.org).

**Richmond Heights Local School District**

*Statement of Net Position*

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,227,458	\$291,965	\$6,519,423
Accrued Interest Receivable	13,253	0	13,253
Accounts Receivable	1,085	0	1,085
Intergovernmental Receivable	427,601	0	427,601
Materials and Supplies Inventory	3,000	3,931	6,931
Inventory Held for Resale	0	4,460	4,460
Prepaid Items	15,603	0	15,603
Property Taxes Receivable	12,869,892	0	12,869,892
Net OPEB Asset (See Note 20)	973,400	0	973,400
Nondepreciable Capital Assets	311,214	0	311,214
Depreciable Capital Assets, Net	22,837,825	1,813,808	24,651,633
<i>Total Assets</i>	<u>43,680,331</u>	<u>2,114,164</u>	<u>45,794,495</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	3,748	0	3,748
Pension	2,760,012	0	2,760,012
OPEB	325,412	0	325,412
<i>Total Deferred Outflows of Resources</i>	<u>3,089,172</u>	<u>0</u>	<u>3,089,172</u>
<b>Liabilities</b>			
Accounts Payable	262,992	130,055	393,047
Accrued Wages and Benefits	1,070,915	0	1,070,915
Intergovernmental Payable	198,870	4,047	202,917
Matured Compensated Absences Payable	9,117	0	9,117
Accrued Interest Payable	100,399	0	100,399
Unearned Revenue	245,225	0	245,225
Long-Term Liabilities:			
Due Within One Year	451,515	0	451,515
Due in More Than One Year:			
Net Pension Liability (See Note 19)	10,552,412	0	10,552,412
Net OPEB Liability (See Note 20)	580,041	0	580,041
Other Amounts Due in More Than One Year	27,004,701	0	27,004,701
<i>Total Liabilities</i>	<u>40,476,187</u>	<u>134,102</u>	<u>40,610,289</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	11,138,760	0	11,138,760
Pension	1,085,872	0	1,085,872
OPEB	1,632,520	0	1,632,520
<i>Total Deferred Inflows of Resources</i>	<u>13,857,152</u>	<u>0</u>	<u>13,857,152</u>
<b>Net Position</b>			
Net Investment in Capital Assets	(2,665,555)	1,813,808	(851,747)
Restricted for:			
Capital Projects	1,297,956	0	1,297,956
Debt Service	213,116	0	213,116
OPEB Plans	233,727	0	233,727
Other Purposes	48,077	0	48,077
Unrestricted (Deficit)	(6,691,157)	166,254	(6,524,903)
<i>Total Net Position</i>	<u>(\$7,563,836)</u>	<u>\$1,980,062</u>	<u>(\$5,583,774)</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2023*

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,931,762	\$212,361	\$611,713	\$0
Special	3,047,839	30,032	385,389	0
Vocational	51,037	567	2,057	0
Support Services:				
Pupils	881,185	7,971	249,671	0
Instructional Staff	213,034	824	126,848	0
Board of Education	256,365	2,846	0	0
Administration	1,661,329	16,807	189,980	0
Fiscal	602,919	6,950	0	0
Business	65,865	691	0	0
Operation and Maintenance of Plant	2,348,826	19,862	47,916	29,466
Pupil Transportation	1,279,010	12,191	139,456	0
Central	306,393	3,038	0	0
Operation of Non-Instructional Services	50,860	99	124,261	0
Extracurricular Activities	375,058	53,146	3,582	0
Interest	1,075,615	0	0	0
<i>Total Governmental Activities</i>	<u>18,147,097</u>	<u>367,385</u>	<u>1,880,873</u>	<u>29,466</u>
<b>Business-Type Activities</b>				
Food Service	520,324	73,744	390,081	0
Web Check Services	4,818	4,260	0	0
<i>Total Business-Type Activities</i>	<u>525,142</u>	<u>78,004</u>	<u>390,081</u>	<u>0</u>
<b>Totals</b>	<u><u>\$18,672,239</u></u>	<u><u>\$445,389</u></u>	<u><u>\$2,270,954</u></u>	<u><u>\$29,466</u></u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings/Interest

Miscellaneous

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$5,107,688)	\$0	(\$5,107,688)
(2,632,418)	0	(2,632,418)
(48,413)	0	(48,413)
(623,543)	0	(623,543)
(85,362)	0	(85,362)
(253,519)	0	(253,519)
(1,454,542)	0	(1,454,542)
(595,969)	0	(595,969)
(65,174)	0	(65,174)
(2,251,582)	0	(2,251,582)
(1,127,363)	0	(1,127,363)
(303,355)	0	(303,355)
73,500	0	73,500
(318,330)	0	(318,330)
(1,075,615)	0	(1,075,615)
(15,869,373)	0	(15,869,373)
0	(56,499)	(56,499)
0	(558)	(558)
0	(57,057)	(57,057)
(15,869,373)	(57,057)	(15,926,430)
12,471,926	0	12,471,926
2,289,691	0	2,289,691
167,278	0	167,278
141,872	5,812	147,684
15,070,767	5,812	15,076,579
(798,606)	(51,245)	(849,851)
(6,765,230)	2,031,307	(4,733,923)
(\$7,563,836)	\$1,980,062	(\$5,583,774)

**Richmond Heights Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2023*

	General	Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,458,274	\$1,267,246	\$1,501,938	\$6,227,458
Accrued Interest Receivable	13,253	0	0	13,253
Accounts Receivable	1,085	0	0	1,085
Intergovernmental Receivable	159,974	0	267,627	427,601
Interfund Receivable	166,387	0	0	166,387
Materials and Supplies Inventory	3,000	0	0	3,000
Prepaid Items	15,603	0	0	15,603
Property Taxes Receivable	11,163,326	993,889	712,677	12,869,892
<i>Total Assets</i>	<u>\$14,980,902</u>	<u>\$2,261,135</u>	<u>\$2,482,242</u>	<u>\$19,724,279</u>
<b>Liabilities</b>				
Accounts Payable	\$158,662	\$0	\$104,330	\$262,992
Accrued Wages and Benefits	1,059,796	0	11,119	1,070,915
Intergovernmental Payable	193,229	0	5,641	198,870
Matured Compensated Absences Payable	9,117	0	0	9,117
Interfund Payable	0	0	166,387	166,387
Unearned Revenue	0	0	245,225	245,225
<i>Total Liabilities</i>	<u>1,420,804</u>	<u>0</u>	<u>532,702</u>	<u>1,953,506</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	850,896	63,333	102,154	1,016,383
Property Taxes	9,651,296	868,264	619,200	11,138,760
<i>Total Deferred Inflows of Resources</i>	<u>10,502,192</u>	<u>931,597</u>	<u>721,354</u>	<u>12,155,143</u>
<b>Fund Balances</b>				
Nonspendable	18,603	0	0	18,603
Restricted	0	1,329,538	1,299,535	2,629,073
Committed	181,477	0	0	181,477
Assigned	1,119,111	0	0	1,119,111
Unassigned (Deficit)	1,738,715	0	(71,349)	1,667,366
<i>Total Fund Balances</i>	<u>3,057,906</u>	<u>1,329,538</u>	<u>1,228,186</u>	<u>5,615,630</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$14,980,902</u>	<u>\$2,261,135</u>	<u>\$2,482,242</u>	<u>\$19,724,279</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2023*

<b>Total Governmental Fund Balances</b>		\$5,615,630
 <i>Amounts reported for governmental activities in 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.		23,149,039
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:		
Delinquent Property Taxes	838,219	
Intergovernmental Grants	55,656	
Tuition and Fees	122,508	
<b>Total</b>	<b>1,016,383</b>	1,016,383
Deferred charge on refunding related to the issuance of long-term refunding debt is amortized over the life of the debt on the statement of net position.		3,748
In the statement of net position, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(100,399)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(17,939,356)	
Certificates of Participation	(7,869,947)	
Energy Conservation Refunding Notes	(51,000)	
School Renovation and Improvement Financed Purchase	(680,000)	
School Furniture Financed Purchase	(293,855)	
Equipment Financed Purchase	(44,492)	
Lease Payable	(19,048)	
Compensated Absences	(558,518)	
<b>Total</b>	<b>(27,456,216)</b>	(27,456,216)
The net OPEB asset and net pension/OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred outflows/inflows are not reported in the funds:		
Net OPEB Asset	973,400	
Deferred Outflows - Pension	2,760,012	
Deferred Outflows - OPEB	325,412	
Net Pension Liability	(10,552,412)	
Net OPEB Liability	(580,041)	
Deferred Inflows - Pension	(1,085,872)	
Deferred Inflows - OPEB	(1,632,520)	
<b>Total</b>	<b>(9,792,021)</b>	(9,792,021)
 <i>Net Position of Governmental Activities</i>		 <b>(7,563,836)</b>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General	Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$10,958,229	\$951,464	\$698,825	\$12,608,518
Intergovernmental	2,432,877	26,756	1,676,321	4,135,954
Investment Earnings/Interest	167,165	103	10	167,278
Tuition and Fees	251,237	0	0	251,237
Extracurricular Activities	33,747	0	49,032	82,779
Rentals	2,555	0	0	2,555
Contributions and Donations	4,389	0	21,798	26,187
Miscellaneous	141,872	0	0	141,872
<i>Total Revenues</i>	<u>13,992,071</u>	<u>978,323</u>	<u>2,445,986</u>	<u>17,416,380</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,132,210	0	562,954	5,695,164
Special	2,697,364	0	336,638	3,034,002
Vocational	51,037	0	0	51,037
Support Services:				
Pupils	648,386	0	244,036	892,422
Instructional Staff	84,487	0	134,940	219,427
Board of Education	256,365	0	0	256,365
Administration	1,505,139	0	186,964	1,692,103
Fiscal	623,991	0	0	623,991
Business	60,857	0	0	60,857
Operation and Maintenance of Plant	1,806,111	0	136,739	1,942,850
Pupil Transportation	1,101,972	0	71,136	1,173,108
Central	273,709	0	5,400	279,109
Operation of Non-Instructional Services	8,955	0	35,651	44,606
Extracurricular Activities	131,845	0	251,323	383,168
Capital Outlay	47,338	0	180,354	227,692
Debt Service:				
Principal Retirement	193,279	110,000	172,201	475,480
Interest	24,927	748,513	328,655	1,102,095
<i>Total Expenditures</i>	<u>14,647,972</u>	<u>858,513</u>	<u>2,646,991</u>	<u>18,153,476</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(655,901)</u>	<u>119,810</u>	<u>(201,005)</u>	<u>(737,096)</u>
<b>Other Financing Sources (Uses)</b>				
Financed Purchase Issued	47,338	0	0	47,338
Transfers In	0	0	209,206	209,206
Transfers Out	(207,471)	0	(1,735)	(209,206)
<i>Total Other Financing Sources (Uses)</i>	<u>(160,133)</u>	<u>0</u>	<u>207,471</u>	<u>47,338</u>
<i>Net Change in Fund Balances</i>	(816,034)	119,810	6,466	(689,758)
<i>Fund Balances Beginning of Year</i>	<u>3,873,940</u>	<u>1,209,728</u>	<u>1,221,720</u>	<u>6,305,388</u>
<i>Fund Balances End of Year</i>	<u>\$3,057,906</u>	<u>\$1,329,538</u>	<u>\$1,228,186</u>	<u>\$5,615,630</u>

See accompanying notes to the basic financial statements



**Richmond Heights Local School District**  
*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, 2023*

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**Net Change in Fund Balances - Total Governmental Funds** (\$689,758)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period:

Capital Asset Additions	155,297	
Current Year Depreciation/Amortization	(758,709)	
<b>Total</b>		<b>(603,412)</b>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(136,592)	
Intergovernmental Grants	37,889	
Tuition and Fees	30,814	
<b>Total</b>		<b>(67,889)</b>

Repayment of long-term obligations is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment on General Obligation Bonds	110,000	
Payment on Energy Conservation Refunding Notes	101,000	
Payment on Lease Payable	4,433	
Payment on School Renovation and Improvement Financed Purchase	85,000	
Payment on School Furniture Financed Purchase	52,201	
Payment of Equipment Financed Purchase	2,846	
Payment on Certificates of Participation	120,000	
<b>Total</b>		<b>475,480</b>

In the statement of activities, interest is accrued on outstanding debt premiums, discounts and the deferred charge on refunding are amortized over the terms of the debt, whereas in the funds, the expenditures are reported when due:

Accrued Interest	(4,251)	
Amortization of Premiums	35,939	
Amortization of Certificates of Participation Discounts	(1,460)	
Amortization of Deferred Charge on Refunding	(3,748)	
<b>Total</b>		<b>26,480</b>

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the funds. (59,890)

Financed purchase issued in the governmental funds increases long-term liabilities in the statement of net position. (47,338)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	970,831	
OPEB	28,580	
<b>Total</b>		<b>999,411</b>

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB asset or liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(1,041,445)	
OPEB	209,755	
<b>Total</b>		<b>(831,690)</b>

*Change in Net Position of Governmental Activities* (\$798,606)

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$10,127,816	\$10,127,816	\$10,776,562	\$648,746
Intergovernmental	2,271,686	2,271,686	2,461,887	190,201
Interest	14,955	14,955	167,891	152,936
Tuition and Fees	291,679	291,679	250,744	(40,935)
Rentals	0	0	2,645	2,645
Contributions and Donations	177	177	0	(177)
Miscellaneous	132,167	132,167	141,755	9,588
<i>Total Revenues</i>	<u>12,838,480</u>	<u>12,838,480</u>	<u>13,801,484</u>	<u>963,004</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,420,593	5,282,993	5,282,993	0
Special	2,862,241	3,148,370	3,042,255	106,115
Vocational	103,859	106,160	51,037	55,123
Support Services:				
Pupils	487,139	737,675	648,370	89,305
Instructional Staff	74,768	93,695	92,428	1,267
Board of Education	316,110	349,242	308,511	40,731
Administration	1,556,566	1,593,570	1,593,570	0
Fiscal	666,821	696,953	651,212	45,741
Business	59,769	65,298	65,298	0
Operation and Maintenance of Plant	1,439,679	2,256,011	2,042,303	213,708
Pupil Transportation	946,756	1,431,346	1,400,814	30,532
Central	360,557	548,865	370,887	177,978
Operation of Non-Instructional Services	9,361	16,305	11,955	4,350
Extracurricular Activities	122,474	130,436	130,436	0
Debt Service:				
Principal Retirement	186,000	188,846	188,846	0
Interest	23,708	23,708	23,708	0
<i>Total Expenditures</i>	<u>14,636,401</u>	<u>16,669,473</u>	<u>15,904,623</u>	<u>764,850</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,797,921)	(3,830,993)	(2,103,139)	1,727,854
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(214,582)	(214,582)	0
<i>Net Change in Fund Balance</i>	(1,797,921)	(4,045,575)	(2,317,721)	1,727,854
<i>Fund Balance Beginning of Year</i>	4,165,115	4,165,115	4,165,115	0
Prior Year Encumbrances Appropriated	391,930	391,930	391,930	0
<i>Fund Balance End of Year</i>	<u>\$2,759,124</u>	<u>\$511,470</u>	<u>\$2,239,324</u>	<u>\$1,727,854</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*June 30, 2023*

	Food Service	Non-Major Web Check Services	Total Enterprise Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$291,911	\$54	\$291,965
Materials and Supplies Inventory	3,931	0	3,931
Inventory Held for Resale	4,460	0	4,460
<i>Total Current Assets</i>	300,302	54	300,356
Depreciable Capital Assets, Net	1,813,808	0	1,813,808
<i>Total Assets</i>	2,114,110	54	2,114,164
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	130,055	0	130,055
Intergovernmental Payable	4,047	0	4,047
<i>Total Liabilities</i>	134,102	0	134,102
<b>Net Position</b>			
Investment in Capital Assets	1,813,808	0	1,813,808
Unrestricted	166,200	54	166,254
<i>Total Net Position</i>	<u>\$1,980,008</u>	<u>\$54</u>	<u>\$1,980,062</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2023*

	Food Service	Non-Major Web Check Services	Total Enterprise Funds
<b>Operating Revenues</b>			
Sales	\$73,744	\$0	\$73,744
Charges for Services	0	4,260	4,260
Other Operating Revenues	2,128	0	2,128
<i>Total Operating Revenues</i>	<u>75,872</u>	<u>4,260</u>	<u>80,132</u>
<b>Operating Expenses</b>			
Fringe Benefits	1,195	0	1,195
Purchased Services	286,176	4,818	290,994
Materials and Supplies	177,993	0	177,993
Depreciation	54,469	0	54,469
Other	491	0	491
<i>Total Operating Expenses</i>	<u>520,324</u>	<u>4,818</u>	<u>525,142</u>
<i>Operating Income (Loss)</i>	<u>(444,452)</u>	<u>(558)</u>	<u>(445,010)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal and State Grants Received	390,081	0	390,081
Other Non-Operating Revenues	3,684	0	3,684
<i>Total Non-Operating Revenues</i>	<u>393,765</u>	<u>0</u>	<u>393,765</u>
<i>Change in Net Position</i>	(50,687)	(558)	(51,245)
<i>Net Position Beginning of Year</i>	<u>2,030,695</u>	<u>612</u>	<u>2,031,307</u>
<i>Net Position End of Year</i>	<u>\$1,980,008</u>	<u>\$54</u>	<u>\$1,980,062</u>

See accompanying notes to the basic financial statements

**Richmond Heights Local School District**

*Statement of Cash Flows*

*Enterprise Funds*

*For the Fiscal Year Ended June 30, 2023*

	Food Service	Non-Major Web Check Services	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$74,409	\$4,260	\$78,669
Other Operating Revenues	2,128	0	2,128
Other Non-Operating Revenues	3,684	0	3,684
Cash Payments to Employees for Services	(1,195)	0	(1,195)
Cash Payments for Goods and Services	(313,808)	(4,818)	(318,626)
Other Cash Payments	(491)	0	(491)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(235,273)	(558)	(235,831)
<b>Cash Flows from Noncapital Financing Activities</b>			
Federal and State Grants Received	347,369	0	347,369
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	112,096	(558)	111,538
<i>Cash and Cash Equivalents Beginning of Year</i>	179,815	612	180,427
<i>Cash and Cash Equivalents End of Year</i>	\$291,911	\$54	\$291,965
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	(\$444,452)	(\$558)	(\$445,010)
Adjustments:			
Depreciation	54,469	0	54,469
Donated Commodities Received During Year	42,712	0	42,712
Non-Operating Revenues	3,684	0	3,684
(Increase) Decrease in Assets:			
Accounts Receivable	665	0	665
Materials and Supplies Inventory	(2,483)	0	(2,483)
Inventory Held for Resale	(1,875)	0	(1,875)
Increase (Decrease) in Liabilities:			
Accounts Payable	107,960	0	107,960
Intergovernmental Payable	4,047	0	4,047
<i>Net Cash Provided by (Used for) Operating Activities</i>	(235,273)	(558)	(235,831)

See accompanying notes to the basic financial statements

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### **Note 1 – Description of the School District and Reporting Entity**

Richmond Heights Local School District (School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and Federal agencies. This Board of Education controls the School District's two instructional/support facilities staffed by 9 administrators, 39 non-certificated and 57 certificated full time teaching personnel who provide services to approximately 783 students and other community members.

#### ***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District does not have any component units.

The School District participates in two jointly governed organizations, a claims servicing pool and a shared risk pool. These organizations are the Northeast Ohio Network for Educational Technology and Ohio Schools Council, the Health Care Benefits Program of Lake County Schools Council and Schools of Ohio Risk Sharing Authority. These organizations are discussed in Notes 15, 16 and 21 of the basic financial statements.

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

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

#### ***Basis of Presentation***

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

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

### ***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and proprietary.

***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 and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

***Bond Retirement Debt Service Fund*** The bond retirement debt service fund accounts for and reports property taxes restricted for the payment of principal and interest on outstanding debt.

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

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no internal service funds.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The food service fund is the School District's major enterprise fund.

**Food Service Fund** The food service fund accounts for and reports revenues generated from the charges for lunches provided to students in the School District.

**Web Check Services Fund** The web check services fund accounts for and reports services such as fingerprinting of potential School District employees. The costs of providing these services are financed primarily through user charges.

### **Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

### **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 and the statements presented for the proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.



## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of transaction can be determined. 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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value or refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 19 and 20.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow 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 School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 19 and 20).

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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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.

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

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

### ***Budgetary Data***

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

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

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

### ***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2023, investments were limited to STAR Ohio, a money market mutual fund, US treasury notes, commercial paper, federal farm credit bank bonds and negotiable certificates of deposit. Except for STAR Ohio, investments are reported at fair value.

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

## **Richmond Heights Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest earnings/interest revenue credited to the general fund during fiscal year 2023 amounted to \$167,165, which includes \$78,431 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

#### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

#### ***Inventory***

Inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

#### ***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old debt or the life of the new debt, whichever is shorter, using the straight-line method and is presented as deferred outflows of resources on the statement of net position.

#### ***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets (except for intangible right to use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental	Business-Type
	Activities	Activities
	Estimated Lives	Estimated Lives
Buildings and Improvements	10-40 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	8 years	N/A
Intangible Right to Use - Equipment	5 years	N/A

The School District is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

### ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### ***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

On the government fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### ***Leases Payable***

The School District serves as lessee in various noncancellable leases. At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

### ***Accrued Liabilities and Long-Term Obligations***

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

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

### ***Unearned Revenue***

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The School District recognizes unearned revenue for grants received before eligibility requirements have been met.

### ***Debt Issuance Premiums***

On the government-wide financial statements, debt issuance premiums are deferred and amortized for the term of the debt issuance using the straight-line method since the results are not significantly different from the effective interest method. Debt issuance premiums are presented as an increase of the face amount of the debt issuance payable. On governmental fund statements, debt issuance premiums are received in the year the debt issuance is issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt service and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

### ***Debt Issuance Discounts***

On the government-wide financial statements, debt issuance discounts are deferred and amortized for the term of the debt issuance using the straight-line method since the results are not significantly different from the effective interest method. Debt issuance discounts are presented as a decrease of the face amount of the debt issuance payable. On governmental fund statements, discounts are financing uses in the year the debt issuance is issued.

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. Net position restricted for other purposes include resources restricted for instructional programs, extracurricular activities, technology improvements, and teacher education.

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

### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The Board also assigned fund balance for public school support in the general fund.

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

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales and fees for food service and web check services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

### ***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

### ***Estimates***

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

### **Note 3 – Change in Accounting Principles**

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). These changes were incorporated in the School District's 2023 financial statements. The School District did not have any long-term contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

### Note 4 – Budgetary Basis of Accounting

While the School District is 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, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Budgetary revenues and expenditures of the public school support and strategic planning fund are reclassified to the general fund for GAAP Reporting.
5. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$816,034)
Net Adjustment for Revenue Accruals	(201,824)
Beginning Fair Value Adjustment for Investments	(6,588)
Ending Fair Value Adjustment for Investments	17,058
Net Adjustment for Expenditure Accruals	(107,507)
Perspective Difference:	
Public School Support	(2,211)
Adjustment for Encumbrances	<u>(1,200,615)</u>
Budget Basis	<u><u>(\$2,317,721)</u></u>



## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

### Note 5 – Fund Balances

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

Fund Balances	General	Bond Retirement Debt Service	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>				
Materials and Supplies Inventory	\$3,000	\$0	\$0	\$3,000
Prepaid Items	15,603	0	0	15,603
<b><i>Total Nonspendable</i></b>	<b>18,603</b>	<b>0</b>	<b>0</b>	<b>18,603</b>
<b><i>Restricted for:</i></b>				
Capital Projects	0	0	1,254,528	1,254,528
Debt Service	0	1,329,538	0	1,329,538
Other Purposes:				
Instructional Programs	0	0	12,845	12,845
Student Activities	0	0	11,773	11,773
Extracurricular Activities	0	0	6,662	6,662
Technology Improvements	0	0	5,400	5,400
Teacher Education	0	0	5,244	5,244
Other Purposes	0	0	3,083	3,083
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,329,538</b>	<b>1,299,535</b>	<b>2,629,073</b>
<b><i>Committed to:</i></b>				
Employee Benefits	181,477	0	0	181,477
<b><i>Assigned to:</i></b>				
Public School Support	20,852	0	0	20,852
Purchases on Order:				
Instruction	402,492	0	0	402,492
Support Services	695,767	0	0	695,767
<b><i>Total Assigned</i></b>	<b>1,119,111</b>	<b>0</b>	<b>0</b>	<b>1,119,111</b>
<b><i>Unassigned</i></b>	<b>1,738,715</b>	<b>0</b>	<b>(71,349)</b>	<b>1,667,366</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,057,906</b>	<b>\$1,329,538</b>	<b>\$1,228,186</b>	<b>\$5,615,630</b>

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### Note 6 – Accountability

The following funds had deficit fund balances at June 30, 2023:

	<u>Amount</u>
<b><i>Special Revenue Funds:</i></b>	
Title I	\$27,276
Elementary and Secondary School	
Emergency Relief	16,121
Miscellaneous State Grants	15,000
Classroom Reduction Grant	11,724
Early Childhood Education Grant	887
Preschool Education Grant	341

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### Note 7 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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3. Written repurchase agreements in the securities listed previously provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

### ***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2023, \$250,000 of the School District's bank balance of \$1,439,515 was covered by Federal Depository Insurance and \$594,758 was uninsured and collateralized with securities held by pledging the financial institution's trust department or agent, but not in the School District's name, and \$594,757 was uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

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

### Investments

As of June 30, 2023, the School District had the following investments:

Measurement/Investment	S&P Rating	Measurement Amount	Percent Total Investments
Net Asset Value Per Share:			
STAR Ohio (Less than One Year)	AAAm	\$348,173	N/A
Fair Value - Level 1 Inputs:			
Money Market Mutual Fund (Less than One Year)	N/A	12,411	N/A
Fair Value - Level 2 Inputs:			
US Treasury Notes (Less than One Year)	AA+	591,008	11.41 %
Commercial Paper (Less than Three Years)	A-1	2,172,627	41.94
US Treasury Bills (Less than One Year)	A-1+	244,180	N/A
Federal Farm Credit Bank Bonds (Less than One Year)	AA+	98,011	N/A
Negotiable Certificates of Deposit	N/A	1,714,147	33.09
Total Portfolio		<u>\$5,180,557</u>	

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2023. The money market mutual fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (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 School District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

**Credit Risk** The School District's investment policy requires certain credit ratings for some investments as allowed by State law. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The US Treasury Notes, Commercial Paper and Federal Farm Credit Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The Negotiable Certificates of Deposit are fully covered by Federal Depository Insurance.

***Concentration of Credit Risk*** The School District places no limit on the amount it may invest in any one issuer.

### **Note 8 – Contingencies**

#### ***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

#### ***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, all ODE adjustments for fiscal year 2023 have been finalized.

#### ***Litigation***

The School District is not party to material legal proceedings.

### **Note 9 – Receivables**

Receivables at June 30, 2023, consisted of accounts, intergovernmental grants, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
<b>Governmental Activities:</b>	
State of Ohio Foundation Adjustment	\$141,303
Elementary and Secondary School Emergency Relief	113,206
Title I Grant	85,103
Title VI-B Grant	37,664
School Employees Retirement System	18,631
Title II-A Grant	16,553
Drug Free Schools Grant	8,467
Early Childhood Education Grant	5,887
Preschool Grant	787
Total	<u>\$427,601</u>

### Note 10 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023 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 of resources – property taxes.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

The amount available as an advance at June 30, 2023, was \$783,642 in the general fund, \$62,292 in the bond retirement fund and \$46,979 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2022, was \$601,975 in the general fund, \$47,851 in the bond retirement fund and \$36,088 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$240,238,800	98.24 %	\$240,755,530	98.15 %
Public Utility Personal	4,300,410	1.76	4,546,300	1.85
Total	\$244,539,210	100.00 %	\$245,301,830	100.00 %
Tax rate per \$1,000 of assessed valuation	\$99.98		\$99.58	

### Note 11 – Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$311,214	\$0	\$0	\$311,214
Capital Assets, being depreciated/amortized:				
Buildings and Improvements	26,649,380	0	0	26,649,380
Furniture and Equipment	1,017,728	47,338	0	1,065,066
Vehicles	1,046,186	107,959	0	1,154,145
Intangible Right to Use Lease - Equipment**	24,550	0	0	24,550
Total Capital Assets, being depreciated/amortized	28,737,844	155,297	0	28,893,141
Less Accumulated Depreciation/Amortization:				
Buildings and Improvements	(4,104,701)	(582,392)	0	(4,687,093)
Furniture and Equipment	(346,618)	(116,234)	0	(462,852)
Vehicles	(840,378)	(55,173)	0	(895,551)
Intangible Right to Use Lease - Equipment**	(4,910)	(4,910)	0	(9,820)
Total Accumulated Depreciation/Amortization	(5,296,607)	(758,709) *	0	(6,055,316)
Total Capital Assets, being depreciated/amortized, net	23,441,237	(603,412)	0	22,837,825
Governmental Activities Capital Assets, Net	\$23,752,451	(\$603,412)	\$0	\$23,149,039

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

Instruction:	
Regular	\$117,178
Special	14,372
Support Services:	
Pupils	3,141
Instructional Staff	3,132
Administration	5,874
Fiscal	977
Business	3,635
Operation and Maintenance of Plant	377,772
Pupil Transportation	188,666
Central	37,708
Operation of Non-Instructional Services	<u>6,254</u>
Total Depreciation	<u><u>\$758,709</u></u>

\*\* Of the current year depreciation total of \$758,709, \$4,910 is presented as operation and maintenance of plant expense on the Statement of Activities related to the School District's intangible asset of a towmotor, which is included as an Intangible Right to Use Lease.

Capital asset activity for business-type activities for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<b>Business-Type Activities:</b>				
Buildings and Improvements	\$1,693,818	\$0	\$0	\$1,693,818
Furniture and Equipment	<u>243,509</u>	<u>0</u>	<u>0</u>	<u>243,509</u>
Total Capital Assets, being depreciated	<u>1,937,327</u>	<u>0</u>	<u>0</u>	<u>1,937,327</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(38,655)	(38,655)	0	(77,310)
Furniture and Equipment	<u>(30,395)</u>	<u>(15,814)</u>	<u>0</u>	<u>(46,209)</u>
Total Accumulated Depreciation	<u>(69,050)</u>	<u>(54,469)</u>	<u>0</u>	<u>(123,519)</u>
Business-Type Activities Capital Assets, Net	<u><u>\$1,868,277</u></u>	<u><u>(\$54,469)</u></u>	<u><u>\$0</u></u>	<u><u>\$1,813,808</u></u>

All depreciation expense for business-type activities was charged to the food service fund.

### Note 12 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property and liability insurance.



## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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Type of Coverage	Coverage Amount
Property Coverage:	
Blanket Building and Contents	\$52,281,636
Comprehensive General Liability:	
General Liability	15,000,000
Personal Injury	15,000,000
General Aggregate	17,000,000
Educators' Legal Liability	15,000,000
Auto Liability	15,000,000
Uninsured Motorist	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

### **Note 13 – Other Employee Benefits**

#### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. All administrators and certified employees receive 1.25 of sick leave days per month. Non-certified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

Each union employee earns sick leave at the rate of one and one-half days per month. Sick leave may be accumulated without limit. Upon eligibility for benefits from STRS or SERS, and actual retirement from the School District, as verified by STRS or SERS, any employee working regularly each week on a permanent part-time or full-time basis may elect at the time of retirement to receive a severance payment. The payment will be calculated on a percentage of total accumulated and unused sick leave time times the then current daily rate, to a maximum of 220 days in accordance with the following years of experience in the School District's scale:

Years of Experience	Percentage
5-9	12.5 %
10+	25.0

#### ***Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance through Met Life. Certificated employees and classified employees receive \$50,000 term life and accidental death and dismemberment coverage. Administrative employees receive \$200,000 coverage.

The School District also provides medical/surgical, prescription drug, dental and vision insurance through Medical Mutual Blue Cross and Blue Shield of Ohio, Express Scripts Pharmacy, Medical Mutual Dental and VSP, respectively, to all eligible employees.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

### Note 14 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District’s long-term obligations is as follows:

Debt Issue	Interest Rate	Issue Amount	Date of Maturity
<b>General Obligation Bonds:</b>			
2018A School Facilities Construction and Improvement Bonds	2% - 5%	\$9,695,000	December 1, 2047
2018B School Facilities Construction and Improvement Bonds	5	7,550,000	December 1, 2054
<b>Certificates of Participation:</b>			
2018 School Facilities Project Certificates of Participation	3.625 - 4	8,305,000	December 1, 2047
<b>Other Long-Term Obligations:</b>			
2017 Energy Conservation Refunding Notes	1.95	686,000	September 15, 2023
2015 School Renovation and Improvement Financed Purchase	2.94	1,250,000	December 1, 2029
2021 Furniture Financed Purchase	3.00	400,000	August 1, 2027
2023 Equipment Financed Purchase	2.03	47,338	June 30, 2028

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/2022	Additions	(Reductions)	Principal Outstanding 6/30/2023	Amount Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2018A School Facilities Construction and Improvement Refunding Bonds:					
Serial Bonds	\$1,020,000	\$0	(\$110,000)	\$910,000	\$70,000
Term Bonds	8,400,000	0	0	8,400,000	0
Premium	262,578	0	(10,099)	252,479	0
Total 2018A School Facilities Construction and Improvement Bonds	9,682,578	0	(120,099)	9,562,479	70,000
2018B School Facilities Construction and Improvement Bonds:					
Term Bonds	7,550,000	0	0	7,550,000	0
Premium	852,717	0	(25,840)	826,877	0
Total 2018B School Facilities Construction and Improvement Bonds	8,402,717	0	(25,840)	8,376,877	0
Total General Obligation Bonds	18,085,295	0	(145,939)	17,939,356	70,000
2018 School Facilities Project Certificates of Participation:					
Serial Certificates	955,000	0	(120,000)	835,000	125,000
Term Certificates	7,070,000	0	0	7,070,000	0
Discount	(36,513)	0	1,460	(35,053)	0
Total Certificates of Participation	\$7,988,487	\$0	(\$118,540)	\$7,869,947	\$125,000

(continued)

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

	Principal Outstanding 6/30/2022	Additions	(Reductions)	Principal Outstanding 6/30/2023	Amount Due in One Year
<b>Governmental Activities (continued):</b>					
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
SERS	\$1,406,949	\$788,556	\$0	\$2,195,505	\$0
STRS	4,639,613	3,717,294	0	8,356,907	0
Total Net Pension Liability	6,046,562	4,505,850	0	10,552,412	0
Net OPEB Liability:					
SERS	732,235	0	(152,194)	580,041	0
2017 Energy Conservation Refunding Notes	152,000	0	(101,000)	51,000	51,000
2015 School Renovation and Improvement Financed Purchase - Direct Borrowing	765,000	0	(85,000)	680,000	90,000
2021 Furniture Financed Purchase - Direct Borrowing	346,056	0	(52,201)	293,855	54,277
2023 Equipment Financed Purchase - Direct Borrowing	0	47,338	(2,846)	44,492	8,008
Lease Payable	23,481	0	(4,433)	19,048	4,691
Compensated Absences	498,628	97,154	(37,264)	558,518	48,539
Total Other Long-term Obligations	8,563,962	4,650,342	(434,938)	12,779,366	256,515
Total Governmental Activities	\$34,637,744	\$4,650,342	(\$699,417)	\$38,588,669	\$451,515

The general obligation bonds will be paid from the bond retirement fund. The certificates of participation will be paid from the permanent improvement capital projects fund. The energy conservation refunding notes and the school renovation and improvement financed purchase obligation will be paid from the general fund. The furniture financed purchase will be paid from the permanent improvement fund. The equipment financed purchase will be paid from the general fund. Compensated absences will be paid from the general fund and IDEA, title I and other federal grants special revenue funds. The lease payable will be paid from the general fund. There is no repayment schedule for the net pension liability or net OPEB liability; however, employer pension and OPEB contributions are made from the following funds: general fund and IDEA, title I and other federal grants special revenue funds. For additional information related to the net pension liability and the net OPEB liability see Notes 19 and 20.

On April 26, 2018, the School District issued \$9,695,000 in general obligation bonds for the purpose of retiring the 2017 School Facilities Construction and Improvement Bond Anticipation Notes, dated December 28, 2017, issued for the purpose of constructing, renovating and improving facilities for school and community use, furnishing and equipping the same, improving the sites thereof, and acquiring land and interest in land in connection therewith and retiring notes previously issued for such purposes. The bonds were sold at a premium of \$302,974, and the bonds consisted of serial and term bonds of \$1,295,000 and \$8,400,000, respectively. The bonds were issued with interest rates varying from 2 to 5 percent. The bonds will be paid from the bond retirement fund. The bonds were issued for a 30 year period with a final maturity date of December 1, 2047.

*Optional Redemption* The bonds maturing after December 1, 2028, are subject to redemption at the option of the School District, either in whole or in part, in the integral multiples of \$5,000, in such order of maturity as the School District shall determine, on any date on or after December 1, 2028, at a redemption price equal to 100 percent of the principal amount redeemed, plus, in each case, accrued interest to the date fixed for redemption.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

*Mandatory Sinking Fund Redemption* The term bonds maturing on December 1, 2031, 2033, 2038, 2043, and 2047 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	2018A School Facilities Construction and Improvement Term Bonds				
	\$710,000	\$555,000	\$1,750,000	\$2,425,000	\$2,960,000
2029	\$215,000	\$0	\$0	\$0	\$0
2030	240,000	0	0	0	0
2032	0	265,000	0	0	0
2034	0	0	305,000	0	0
2035	0	0	315,000	0	0
2036	0	0	360,000	0	0
2037	0	0	375,000	0	0
2039	0	0	0	415,000	0
2040	0	0	0	430,000	0
2041	0	0	0	445,000	0
2042	0	0	0	460,000	0
2044	0	0	0	0	700,000
2045	0	0	0	0	725,000
2046	0	0	0	0	755,000
Total	\$455,000	\$265,000	\$1,355,000	\$1,750,000	\$2,180,000
<i>Stated Maturity</i>	<i>12/1/2031</i>	<i>12/1/2033</i>	<i>12/1/2038</i>	<i>12/1/2043</i>	<i>12/1/2047</i>

The remaining principal amounts of the term bonds (\$255,000, \$290,000, \$395,000, \$675,000, and \$780,000) will mature at the stated maturity.

On May 23, 2018, the School District issued \$7,550,000 in general obligation term bonds for the purpose of constructing, renovating and improving facilities for school and community use, furnishing and equipping the same, improving the sites thereof, and acquiring land and interest in land in connection therewith. The bonds were sold at a premium of \$956,077. The bonds were issued with an interest rate of 5 percent. The bonds will be paid from the bond retirement fund. The bonds were issued for a 37 year period with a final maturity date of December 1, 2054.

*Optional Redemption* The bonds are subject to redemption at the option of the School District, either in whole or in part, in the integral multiples of \$5,000, in such order of maturity as the School District shall determine, on any date on or after December 1, 2028, at a redemption price equal to 100 percent of the principal amount redeemed, plus, in each case, accrued interest to the date fixed for redemption.

*Mandatory Sinking Fund Redemption* The term bonds maturing on December 1, 2043 and 2054 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

Year	2018B School Facilities	
	Construction and Improvement	
	\$1,135,000	\$6,415,000
2032	\$90,000	\$0
2033	90,000	0
2034	90,000	0
2035	100,000	0
2036	85,000	0
2037	90,000	0
2038	95,000	0
2039	110,000	0
2040	115,000	0
2041	125,000	0
2042	140,000	0
2048	0	780,000
2049	0	820,000
2050	0	860,000
2051	0	915,000
2052	0	960,000
2053	0	1,010,000
Total	\$1,130,000	\$5,345,000
<i>Stated Maturity</i>	<i>12/1/2043</i>	<i>12/1/2054</i>

The remaining principal amounts of the term bonds (\$5,000 and \$1,070,000) will mature at the stated maturity.

On October 4, 2018, the School District issued \$8,305,000 in School Facilities Project Certificates of Participation (COPs) through direct borrowing for the purpose of constructing, enlarging or other improvement, furnishing, and equipping, lease, and eventual acquisition of school facilities or improvements to school facilities. The COPs were issued for a 29 year period with final maturity in fiscal year 2047. The COPs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The COPs have not been designated to be “qualified tax exempt obligations” within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to Buckeye Leasing Services, and then subleased back to the School District. The COPs were issued through a series of annual leases with an initial lease term of one year, which includes the right to renew for 29 successive one-year terms through fiscal year 2048 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 3.625 to 4 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture.

*Optional Redemption* The COPs maturing after December 1, 2028, are subject to prior redemption at the option of the Trustee, under the direction of the Board, either in whole or in part, in such order as the Trustee shall determine, under the direction of the Board, on any date on or after December 1, 2028, at 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

*Mandatory Sinking Fund Redemption* The term bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

Year	Issue			
	\$1,310,000	\$1,705,000	\$2,075,000	\$1,980,000
2029	\$160,000	\$0	\$0	\$0
2030	270,000	0	0	0
2031	285,000	0	0	0
2032	295,000	0	0	0
2034	0	315,000	0	0
2035	0	330,000	0	0
2036	0	340,000	0	0
2037	0	355,000	0	0
2039	0	0	385,000	0
2040	0	0	395,000	0
2041	0	0	415,000	0
2042	0	0	430,000	0
2044	0	0	0	465,000
2045	0	0	0	485,000
2046	0	0	0	505,000
Total mandatory sinking fund payment	1,010,000	1,340,000	1,625,000	1,455,000
Amount due at stated maturity	300,000	365,000	450,000	525,000
Total	<u>\$1,310,000</u>	<u>\$1,705,000</u>	<u>\$2,075,000</u>	<u>\$1,980,000</u>
<i>Stated Maturity</i>	<i>12/1/2033</i>	<i>12/1/2038</i>	<i>12/1/2043</i>	<i>12/1/2047</i>

The certificates of participation were sold at a discount of \$40,893.

On July 7, 2016, the School District issued \$686,000 in energy conservation refunding notes for the purpose of currently refunding all or a portion of energy conservation notes, series 2008, dated September 17, 2008, issued for the purpose of purchasing and installing energy conservation measures. The bonds were issued with an interest rate of 1.95 percent. The notes will be paid from the general fund. The notes were issued for a 7 year period with a final maturity date of September 15, 2023.

On October 21, 2015, the School District issued \$1,250,000 in financed purchase obligations (LPOs) through direct borrowing, to provide funding for various roofing, building, HVAC and other improvements to the Richmond Heights Secondary School and Richmond Heights Elementary School; various improvements, renovations and appurtenances to the Richmond Heights Secondary School's technology hub, teacher's lounge, restrooms and related areas. The LPOs issuance included issuance costs of \$58,490. The LPOs were issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The LPOs have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the Branch Banking and Trust Company, and then leased back to the School District. The LPOs were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for fifteen successive one year term through December 1, 2029, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.94 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date on and after June 1, 2022, by paying the amount necessary to defease the Indenture.

During fiscal year 2023, the School District entered into a financed purchase agreement from direct borrowing for copiers in the amount of \$47,338. In prior years, the School District entered into a financed purchase agreement through direct borrowing for furniture in the amount of \$400,000.

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

The School District's overall legal debt margin was \$6,495,703 with an unvoted debt margin of \$245,302 at June 30, 2023. Principal and interest requirements to retire the general obligation bonds, certificates of participation, and energy conservation notes are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			
	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2024	\$70,000	\$31,982	\$0	\$714,506
2025	120,000	28,794	0	714,506
2026	145,000	23,494	0	714,506
2027	175,000	18,297	0	714,506
2028	195,000	12,100	0	714,506
2029-2033	205,000	4,100	1,065,000	3,495,581
2034-2038	0	0	2,100,000	3,116,582
2039-2043	0	0	2,730,000	2,563,624
2044-2048	0	0	3,640,000	1,954,171
2049-2053	0	0	4,335,000	1,084,625
2054-2058	0	0	2,080,000	105,500
Total	\$910,000	\$118,767	\$15,950,000	\$15,892,613

Fiscal Year Ending June 30	From Direct Borrowing				Energy Conservation	
	Certificates of Participation		Term Bonds		Refunding Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$125,000	\$30,901	\$0	\$277,887	\$51,000	\$497
2025	135,000	25,701	0	277,887	0	0
2026	135,000	20,301	0	277,887	0	0
2027	140,000	14,801	0	277,887	0	0
2028	145,000	9,100	0	277,887	0	0
2029-2033	155,000	3,100	1,010,000	1,323,822	0	0
2034-2038	0	0	1,640,000	1,052,837	0	0
2039-2043	0	0	1,990,000	691,400	0	0
2044-2048	0	0	2,430,000	250,600	0	0
Total	\$835,000	\$103,904	\$7,070,000	\$4,708,094	\$51,000	\$497

Annual base rent requirements to retire the 2015 School Improvement and Renovation financed purchase obligations from direct borrowing outstanding at June 30, 2023, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$90,000	\$18,669	\$108,669
2025	90,000	16,023	106,023
2026	95,000	13,304	108,304
2027	95,000	10,511	105,511
2028	100,000	7,644	107,644
2029-2033	210,000	6,175	216,175
Total	\$680,000	\$72,326	\$752,326

Payment requirements to retire the 2021 Furniture financed purchase obligations from direct borrowing outstanding at June 30, 2023, are as follows:

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$54,277	\$11,690	\$65,967
2025	56,437	9,531	65,968
2026	58,682	7,286	65,968
2027	61,016	4,951	65,967
2028	63,443	2,524	65,967
Total	<u>\$293,855</u>	<u>\$35,982</u>	<u>\$329,837</u>

Payment requirements to retire the 2023 Equipment financed purchase obligations from direct borrowing outstanding at June 30, 2023, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$8,008	\$3,377	\$11,385
2025	8,679	2,706	11,385
2026	9,407	2,079	11,486
2027	10,195	1,190	11,385
2028	8,203	336	8,539
Total	<u>\$44,492</u>	<u>\$9,688</u>	<u>\$54,180</u>

In prior years, the School District entered into an agreement to lease a tow motor. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Fiscal Year Ending June 30	Principal	Interest
2024	\$4,691	\$961
2025	4,964	688
2026	5,254	398
2027	4,139	98
Total	<u>\$19,048</u>	<u>\$2,145</u>

### Note 15 – Jointly Governed Organizations

#### *Northeast Ohio Network for Educational Technology*

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEOnet is a jointly governed organization among thirty-one school districts, three career centers, and the Summit and Medina County Educational Service Centers. The Metropolitan Regional Service Council acts as the fiscal agent for the consortium. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Board of Directors consists of member district superintendents and treasurers. The manager/director is a permanent, non-voting member of the Board of Directors. Each school district's control is limited to its representation on the Board. The Board of Directors exercise total control over the operations of the association including budgeting, appropriating, contracting and designating management. All association revenues are



## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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generated from charges for services and State funding. The School District does not retain an ongoing financial interest or an ongoing financial responsibility in NEOnet. In fiscal year 2023, the School District paid \$50,471 to NEOnet. Financial information can be obtained by writing to the Northeast Ohio Network for Educational Technology, 700 Graham Road, Cuyahoga Falls, Ohio 44221.

### ***Ohio Schools Council***

The Ohio Schools' Council Association (Council) is a jointly governed organization among 249 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. In fiscal year 2022, the School District paid \$1,055 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 OakTree Blvd, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy serves as the new supplier and program manager for the period from June 1, 2022 through June 30, 2025. There are currently 185 members in the Program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices 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 August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any school district that requests a refund of their excess amount has the amount returned in November of that fiscal year.

### **Note 16 – Claims Servicing Pool**

The School District participates in the Health Care Benefits Program of Lake County Schools Council (the Program), a claims servicing pool comprised of twelve Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the Program's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claim flow. The program is operated as a full indemnity program with no financial liability (other than the monthly premiums) or risk to the School District. The Council shall pay the run out of all claims for a withdrawing member. Any member that withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets. Financial information can be obtained from Jen Capo, Treasurer, Perry Schools, 4325 Manchester Road Perry, Ohio 44081, Phone: 440.259.9200

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

### Note 17 – Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-aside balance June 30, 2022	\$0
Current year set-aside requirement	160,818
Current year offsets	(717,400)
Qualifying disbursements	(189,421)
Totals	(\$746,003)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside balance June 30, 2023	\$0

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

### Note 18 – Interfund Transactions

#### *Interfund Transfers*

The general fund transferred \$2,942 and \$204,529 to the student managed activities and district managed student activities special revenue funds, respectively to support various programs. The student managed activities special revenue fund transferred \$1,735 to the district managed student activities special revenue fund to support various athletic programs.

#### *Interfund Balances*

Interfund balances at June 30, 2023, consisted of an interfund receivable/payable between the general fund and other governmental funds in the amount of \$166,387. These advances were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the advances. All interfund balances are expected to be repaid within one year.

## Richmond Heights Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023

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### Note 19 – Defined Benefit Pension Plans

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

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

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 20 for the required OPEB disclosures.

#### *School Employees Retirement System (SERS)*

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$226,937 for fiscal year 2023. Of this amount \$16,469 is reported as an intergovernmental payable.

### ***State Teachers Retirement System (STRS)***

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

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$743,894 for fiscal year 2023. Of this amount \$123,809 is reported as an intergovernmental 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04059150%	0.03759271%	
Prior Measurement Date	0.03813170%	0.03628696%	
Change in Proportionate Share	0.00245980%	0.00130575%	
Proportionate Share of the Net			
Pension Liability	\$2,195,505	\$8,356,907	\$10,552,412
Pension Expense	\$15,131	\$1,026,314	\$1,041,445

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$88,920	\$106,979	\$195,899
Changes of assumptions	21,663	1,000,071	1,021,734
Net difference between projected and actual earnings on pension plan investments	0	290,802	290,802
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	95,175	185,571	280,746
School District contributions subsequent to the measurement date	226,937	743,894	970,831
Total Deferred Outflows of Resources	\$432,695	\$2,327,317	\$2,760,012

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
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	SERS	STRS	Total
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$14,413	\$31,967	\$46,380
Changes of assumptions	0	752,766	752,766
Net difference between projected and actual earnings on pension plan investments	76,613	0	76,613
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	72,072	138,041	210,113
Total Deferred Inflows of Resources	<u>\$163,098</u>	<u>\$922,774</u>	<u>\$1,085,872</u>

\$970,831 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$14,682)	\$31,100	\$16,418
2025	39,466	(27,733)	11,733
2026	(109,443)	(190,246)	(299,689)
2027	127,319	847,528	974,847
Total	<u>\$42,660</u>	<u>\$660,649</u>	<u>\$703,309</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, 2022, are presented below:

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
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	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

**Discount Rate** The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.



**Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,231,677	\$2,195,505	\$1,322,542

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
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Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
<b>Total</b>	<b>100.00%</b>	

\* Target allocation percentage is effective July 1, 2022.  
Target weights were phased in over a 3 month period concluding on October 1, 2022

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$12,624,244	\$8,356,907	\$4,748,061

## **Richmond Heights Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

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### **Note 20 – Defined Benefit OPEB Plans**

See note 19 for a description of the net OPEB liability (asset).

#### ***School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$28,580.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$28,580 for fiscal year 2023. Of this amount \$28,580 is reported as an intergovernmental payable.

#### ***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'

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
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fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

### ***OPEB Liability (Asset), 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, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.04131320%	0.03759271%	
Prior Measurement Date	0.03868970%	0.03628696%	
Change in Proportionate Share	0.00262350%	0.00130575%	
Proportionate Share of the:			
Net OPEB Liability	\$580,041	\$0	\$580,041
Net OPEB (Asset)	\$0	(\$973,400)	(\$973,400)
OPEB Expense	(\$51,152)	(\$158,603)	(\$209,755)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$4,876	\$14,110	\$18,986
Changes of assumptions	92,263	41,464	133,727
Net difference between projected and actual earnings on OPEB plan investments	3,015	16,945	19,960
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	97,999	26,160	124,159
School District contributions subsequent to the measurement date	28,580	0	28,580
Total Deferred Outflows of Resources	\$226,733	\$98,679	\$325,412

## Richmond Heights Local School District

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	SERS	STRS	Total
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$371,038	\$146,186	\$517,224
Changes of assumptions	238,112	690,235	928,347
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	185,018	1,931	186,949
<b>Total Deferred Inflows of Resources</b>	<b>\$794,168</b>	<b>\$838,352</b>	<b>\$1,632,520</b>

\$28,580 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	(\$128,188)	(\$206,450)	(\$334,638)
2025	(144,949)	(212,376)	(357,325)
2026	(134,213)	(104,446)	(238,659)
2027	(86,880)	(43,834)	(130,714)
2028	(50,166)	(57,057)	(107,223)
Thereafter	(51,619)	(115,510)	(167,129)
<b>Total</b>	<b>(\$596,015)</b>	<b>(\$739,673)</b>	<b>(\$1,335,688)</b>

### ***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, 2022, are presented below:

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
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	<u>June 30, 2022</u>
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

**Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). 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 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$720,420	\$580,041	\$466,718

	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$447,316	\$580,041	\$753,403

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

## Richmond Heights Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2023*

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.



**Richmond Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$899,883)	(\$973,400)	(\$1,036,374)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB (asset)	(\$1,009,653)	(\$973,400)	(\$927,640)

**Note 21 – Shared Risk Pool**

***Schools of Ohio Risk Sharing Authority*** The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a shared risk pool among member school districts. SORSA was established in 2002 as an Ohio nonprofit, self-funded group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage and school board errors and omissions insurance coverage. The Consortium is governed by a Board of Directors comprised of representatives from the participating school districts. The Board of Directors exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**Note 22 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<b>Governmental Funds:</b>		<b>Enterprise Funds:</b>	
General	\$1,200,615	Food Service	\$211,998
Other Governmental	<u>536,421</u>	Web Check Services	<u>326</u>
Total Governmental Funds	<u>\$1,737,036</u>	Total Enterprise Funds	<u>\$212,324</u>

**Note 23 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years \**

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.04059150%	0.03813170%	0.04323860%	0.04493410%
School District's Proportionate Share of the Net Pension Liability	\$2,195,505	\$1,406,949	\$2,859,892	\$2,688,487
School District's Covered Payroll	\$1,559,257	\$1,302,964	\$1,504,629	\$1,546,304
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.80%	107.98%	190.07%	173.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.04958320%	0.04204950%	0.04255340%	0.04480000%	0.05243800%	0.05243800%
\$2,839,723	\$2,512,365	\$3,114,517	\$2,556,332	\$2,653,858	\$3,118,320
\$1,623,926	\$1,400,079	\$1,339,157	\$1,318,036	\$1,559,061	\$1,233,489
174.87%	179.44%	232.57%	193.95%	170.22%	252.80%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Seven Fiscal Years (1) \**

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.04131320%	0.03868970%	0.04442580%	0.04539640%
School District's Proportionate Share of the Net OPEB Liability	\$580,041	\$732,235	\$965,516	\$1,141,625
School District's Covered Payroll	\$1,559,257	\$1,302,964	\$1,504,629	\$1,546,304
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.20%	56.20%	64.17%	73.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	24.08%	18.17%	15.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.04911070%	0.04189660%	0.04229930%
\$1,362,463	\$1,124,395	\$1,205,687
\$1,623,926	\$1,400,079	\$1,339,157
83.90%	80.31%	90.03%
13.57%	12.46%	11.49%

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years \**

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.03759271%	0.03628696%	0.03659383%	0.03743088%
School District's Proportionate Share of the Net Pension Liability	\$8,356,907	\$4,639,613	\$8,854,406	\$8,277,614
School District's Covered Payroll	\$4,977,886	\$4,405,864	\$4,420,636	\$4,398,314
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.88%	105.31%	200.30%	188.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.03706804%	0.03573850%	0.03451800%	0.03581180%	0.03976657%	0.03976657%
\$8,150,429	\$8,489,757	\$11,554,216	\$9,897,162	\$9,672,606	\$11,521,945
\$4,257,671	\$4,006,521	\$3,700,179	\$2,940,064	\$4,079,585	\$4,171,315
191.43%	211.90%	312.26%	336.63%	237.10%	276.22%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*State Teachers Retirement System of Ohio*  
*Last Seven Fiscal Years (1) \**

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability/Asset	0.03759271%	0.03628696%	0.03659383%	0.03743088%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$973,400)	(\$765,079)	(\$643,137)	(\$619,945)
School District's Covered Payroll	\$4,977,886	\$4,405,864	\$4,420,636	\$4,398,314
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-19.55%	-17.37%	-14.55%	-14.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	174.70%	182.10%	174.70%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information



2019	2018	2017
0.03706804%	0.03573850%	0.03451800%
(\$595,646)	\$1,394,384	\$1,846,032
\$4,257,671	\$4,006,521	\$3,700,179
-13.99%	34.80%	49.89%
176.00%	47.10%	37.30%

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$226,937	\$218,296	\$182,415	\$210,648
Contributions in Relation to the Contractually Required Contribution	<u>(226,937)</u>	<u>(218,296)</u>	<u>(182,415)</u>	<u>(210,648)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,620,979	\$1,559,257	\$1,302,964	\$1,504,629
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$28,580	\$25,998	\$21,950	\$26,446
Contributions in Relation to the Contractually Required Contribution	<u>(28,580)</u>	<u>(25,998)</u>	<u>(21,950)</u>	<u>(26,446)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.76%</u>	<u>1.67%</u>	<u>1.68%</u>	<u>1.76%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.76%</u>	<u>15.67%</u>	<u>15.68%</u>	<u>15.76%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$208,751	\$219,230	\$196,011	\$187,482	\$173,717	\$216,086
(208,751)	(219,230)	(196,011)	(187,482)	(173,717)	(216,086)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,546,304	\$1,623,926	\$1,400,079	\$1,339,157	\$1,318,036	\$1,559,061
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
\$32,384	\$29,360	\$19,255	\$17,869	\$32,004	\$27,835
(32,384)	(29,360)	(19,255)	(17,869)	(32,004)	(27,835)
\$0	\$0	\$0	\$0	\$0	\$0
2.09%	1.81%	1.38%	1.33%	2.43%	1.79%
15.59%	15.31%	15.38%	15.33%	15.61%	15.65%

**Richmond Heights Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$743,894	\$696,904	\$616,821	\$618,889
Contributions in Relation to the Contractually Required Contribution	<u>(743,894)</u>	<u>(696,904)</u>	<u>(616,821)</u>	<u>(618,889)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,313,529	\$4,977,886	\$4,405,864	\$4,420,636
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability (Asset)</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$615,764	\$596,074	\$560,913	\$518,025	\$411,609	\$530,346
(615,764)	(596,074)	(560,913)	(518,025)	(411,609)	(530,346)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,398,314	\$4,257,671	\$4,006,521	\$3,700,179	\$2,940,064	\$4,079,585
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
\$0	\$0	\$0	\$0	\$0	\$40,796
0	0	0	0	0	(40,796)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Richmond Heights Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning in 2022, amounts reported use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

**Richmond Heights Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

Beginning with fiscal year 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Changes in Benefit Term – STRS**

For fiscal year 2023, the Board approved a one-time 3 percent COLA effective on the anniversary of a benefit recipient’s retirement date for those eligible during fiscal year 2023 and eliminated the age 60 requirement to receive unreduced retirement that was scheduled to go into effect August 1, 2026.

**Richmond Heights Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

**Net OPEB Liability (Asset)**

**Changes in Assumptions – SERS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.



**Richmond Heights Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

**Changes in Benefit Terms – STRS**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

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

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

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2023, healthcare trends were updated to reflect emerging claims and recoveries experience.

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**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 82,142	\$ 0
National School Lunch Program	10.555	207,248	42,712
COVID-19 National School Lunch Program	10.555	25,475	0
Total Child Nutrition Cluster		314,865	42,712
COVID-19 - State Pandemic EBT Administrative Grants	10.649	628	0
<b>Total U.S. Department of Agriculture</b>		315,493	42,712
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Ohio Department of Education</i>			
Title I - Grants to Local Educational Agencies - 2022	84.010	63,537	0
Title I - Grants to Local Educational Agencies - 2023	84.010	298,390	0
Title I - Grants to Local Educational Agencies - School Quality Improvement - 2022	84.010	1,375	0
Title I - Grants to Local Educational Agencies - School Quality Improvement - 2023	84.010	38,543	0
Title I - Grants to Local Educational Agencies- Expanded Opportunities for Each Child - 2022	84.010	6,747	0
Title I - Grants to Local Educational Agencies- Expanded Opportunities for Each Child - 2023	84.010	6,895	0
Title I - Grants to Local Educational Agencies- Non-Competitive, Supplemental School Improvement - 2023	84.010	40,346	0
<i>Total ALN #84.010</i>		455,833	0
Special Education Cluster (IDEA):			
Special Education - Grants to States - 2023	84.027	189,959	0
Special Education - Grants to States - 2022	84.027	15,952	0
COVID-19 - Special Education Grants to States	84.027X	30,135	0
COVID-19 - Special Education Preschool Grants	84.173X	3,568	0
Total Special Education Cluster		239,614	0
Student Support and Academic Enrichment Program - 2022	84.424	5,550	0
Student Support and Academic Enrichment Program - 2023	84.424	32,741	0
<i>Total ALN#84.424</i>		38,291	0
Twenty-First Century Community Learning Centers - 2022	84.287	13,188	0
Improving Teacher Quality State Grants - 2023	84.367	35,234	0
Improving Teacher Quality State Grants - 2022	84.367	27,869	0
<i>Total ALN #84.367</i>		63,103	0
Education Stabilization Fund:			
COVID-19 - ESSER	84.425D	255,849	0
COVID-19 - ARP ESSER	84.425U	416,120	0
COVID-19 - ARP Homeless	84.425W	4,882	0
<i>Total ALN #84.425</i>		676,851	0
<b>Total U.S. Department of Education</b>		1,486,880	0
<b><u>U.S. Department of the Treasury</u></b>			
<i>Passed through Ohio Facilities Construction Commission</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	87,588	0
<b>Total U.S. Department of the Treasury</b>		87,588	0
<b><u>U.S. Federal Communications Commission</u></b>			
<i>Direct Award</i>			
Emergency Connectivity	32.009	16,264	0
<b>Total U.S. Federal Communications Commission</b>		16,264	0
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		\$ 1,906,225	\$ 42,712

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Richmond Heights Local School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Richmond Heights Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Richmond Heights Local School District.

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

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

**NOTE 3: INDIRECT COST RATE**

Richmond Heights Local School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE 5: FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**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**

Richmond Heights Local School District  
Cuyahoga County  
447 Richmond Road  
Richmond Heights, Ohio 44143

To the Members of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Heights Local School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

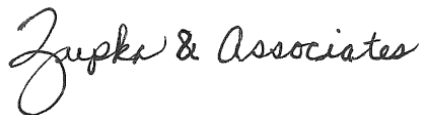
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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



Zupka & Associates  
Certified Public Accountants

January 30, 2024

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

Richmond Heights Local School District  
Cuyahoga County  
447 Richmond Road  
Richmond Heights, Ohio 44143

To the Members of the Board of Education:

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

***Opinion on Each Major Federal Program***

We have audited the Richmond Heights Local School District, Cuyahoga County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Richmond Heights Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

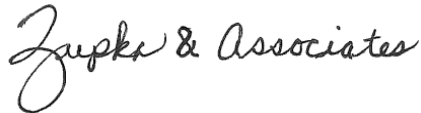
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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



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

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

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



Zupka & Associates  
Certified Public Accountants

January 30, 2024

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 UNIFORM GUIDANCE  
 JUNE 30, 2023**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2023(i)	Type of Financial Statement Opinion	Unmodified
2023(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2023(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2023(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2023(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2023(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2023(v)	Type of Major Programs' Compliance Opinions	Unmodified
2023(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2023(vii)	Major Programs (list):  Education Stabilization Fund - COVID-19 - ESSER - ALN #84.425D COVID-19 - ARP ESSER = ALN #84.425U COVID-19 - ARP Homeless - ALN #84.425W	
2023(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2023(ix)	Low Risk Auditee?	Yes

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

None.

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

None.

**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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The audit report for the fiscal year ending June 30, 2022 contained no audit findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**RICHMOND HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/26/2024**

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)