



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2023**

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**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT

Cuyahoga Heights Local School District  
Cuyahoga County  
4820 East 71<sup>st</sup> Street  
Cuyahoga Heights, Ohio 44125

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Cuyahoga 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the 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 the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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

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

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

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

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

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

***Required Supplementary Information***

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

***Supplementary information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2024



## **Cuyahoga 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 the Cuyahoga Heights Local School District's (the School District) 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.

### **School District Highlights**

Highlights for fiscal year 2023 are as follows:

- Tax valuation of the School District increased by \$7,286,790 for tax year 2022 (collection year 2023) mostly due to an increase in Class II (commercial, industrial & all other real property).
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

### **Using this Financial Report**

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

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

### **Reporting the School District as a Whole**

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

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

## Cuyahoga 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 changes in that 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, most of the School District's activities are classified as governmental. The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

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

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 a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

***Proprietary Funds*** The School District maintains one proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for unanticipated run-off claims.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Cuyahoga Heights Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1, which follows, provides a summary of the School District's net position for the fiscal year 2023 compared to fiscal year 2022.

**Table 1**  
 Net Position  
 Governmental Activities

	2023	Restated 2022	Change
<b>Assets</b>			
Current and Other Assets	\$34,661,322	\$34,517,721	\$143,601
Capital Assets, Net of Depreciation	5,609,159	5,142,576	466,583
Net OPEB Asset	1,316,497	1,066,624	249,873
<b>Total Assets</b>	<b>41,586,978</b>	<b>40,726,921</b>	<b>860,057</b>
<b>Deferred Outflows of Resources</b>			
Pension	3,838,050	3,476,466	361,584
OPEB	476,723	462,665	14,058
<b>Total Deferred Outflows of Resources</b>	<b>4,314,773</b>	<b>3,939,131</b>	<b>375,642</b>
<b>Liabilities</b>			
Current and Other Liabilities	1,985,132	2,004,438	19,306
Long-Term Liabilities:			
Due Within One Year	109,632	250,988	141,356
Due in More Than One Year:			
Net Pension Liability	15,094,790	8,865,379	(6,229,411)
Net OPEB Liability	1,008,165	1,264,626	256,461
Asset Retirement Obligation	35,000	35,000	0
Other Amounts	955,359	761,835	(193,524)
<b>Total Liabilities</b>	<b>19,188,078</b>	<b>13,182,266</b>	<b>(6,005,812)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	10,398,636	11,089,507	690,871
Payments in Lieu of Taxes	206,627	119,746	(86,881)
Pension	1,265,976	7,044,845	5,778,869
OPEB	2,401,203	2,241,180	(160,023)
<b>Total Deferred Inflows of Resources</b>	<b>14,272,442</b>	<b>20,495,278</b>	<b>6,222,836</b>
<b>Net Position</b>			
Net Investment in Capital Assets	5,609,159	5,124,149	485,010
Restricted for:			
Capital Projects	2,770,665	3,063,772	(293,107)
Music and Athletics	972,146	835,866	136,280
Student Activities	116,447	108,213	8,234
Scholarships:			
Non-Expendable	3,180	3,180	0
Expendable	1,781	1,781	0
Other Purposes	403,414	199,732	203,682
OPEB Plans	289,927	57,170	232,757
Unrestricted	2,274,512	1,594,645	679,867
<b>Total Net Position</b>	<b>\$12,441,231</b>	<b>\$10,988,508</b>	<b>\$1,452,723</b>

The net pension liability (NPL) is the largest single liability 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,

## Cuyahoga Heights Local School District

### Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Unaudited

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

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.

The increase in net position is attributable to a decrease in the deferred inflows related to pension, offset by an increase in the net pension liability, as well as an increase in deferred outflows related to pension. Changes to the net pension and OPEB liabilities (assets) occurred because of changes in assumptions and benefit terms of the pension and OPEB plans.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2023 and 2022.

**Table 2**  
Governmental Activities

	2023	2022	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,791,923	\$1,523,892	\$268,031
Operating Grants and Contributions	1,643,349	1,135,881	507,468
<i>Total Program Revenues</i>	<u>3,435,272</u>	<u>2,659,773</u>	<u>775,499</u>
<b>General Revenues</b>			
Property Taxes	13,553,862	12,173,122	1,380,740
Grants and Entitlements	2,647,315	2,839,071	(191,756)
Payment in Lieu of Taxes	164,187	509,102	(344,915)
Investment Earnings/Interest	702,998	(41,346)	744,344
Miscellaneous	155,780	32,825	122,955
<i>Total General Revenues</i>	<u>17,224,142</u>	<u>15,512,774</u>	<u>1,711,368</u>
<i>Total Revenues</i>	<u>\$20,659,414</u>	<u>\$18,172,547</u>	<u>\$2,486,867</u>

(continued)

**Cuyahoga Heights Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**Table 2**  
 Governmental Activities (continued)

	2023	2022	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$7,542,257	\$6,354,956	(\$1,187,301)
Special	2,327,662	1,874,762	(452,900)
Support Services:			
Pupil	1,206,819	1,054,131	(152,688)
Instructional Staff	753,158	359,140	(394,018)
Board of Education	48,612	43,145	(5,467)
Administration	1,520,905	1,326,409	(194,496)
Fiscal	681,580	483,365	(198,215)
Business	31,057	41,777	10,720
Operation and Maintenance of Plant	2,100,726	1,828,080	(272,646)
Pupil Transportation	829,763	855,527	25,764
Central	412,885	493,907	81,022
Operation of Food Service	393,926	231,703	(162,223)
Operation of Other Non-Instructional Services	66,657	56,848	(9,809)
Extracurricular Activities	1,301,693	1,120,191	(181,502)
Interest	534	1,482	948
<i>Total Program Expenses</i>	<u>19,218,234</u>	<u>16,125,423</u>	<u>(3,092,811)</u>
<i>Increase in Net Position</i>			
<i>Before Special Item - Settlement</i>	1,441,180	2,047,124	(605,944)
<i>Special Item - Settlement</i>	<u>11,543</u>	<u>18,251</u>	<u>(6,708)</u>
<i>Change in Net Position</i>	1,452,723	2,065,375	(612,652)
<i>Net Position Beginning of Year</i>	<u>10,988,508</u>	<u>8,923,133</u>	<u>2,065,375</u>
<i>Net Position End of Year</i>	<u><u>\$12,441,231</u></u>	<u><u>\$10,988,508</u></u>	<u><u>\$1,452,723</u></u>

**Governmental Activities**

The majority of the School District's expenses are for instruction. Additional supporting services for pupils, administration, operation and maintenance of plant, and extracurricular activities are the next largest area of expenses. The remaining amount of program expenses are to facilitate other obligations of the School District such as staff, interest, the food service program and pupil transportation.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 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 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

**Cuyahoga Heights Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District. Revenue from property taxes increased in fiscal year 2023, due to the timing of advances.

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.

The majority of the programs listed that follow rely on general revenues for financing. Clearly, the communities that comprise the School District are the greatest source of financial support for the students of the Cuyahoga Heights Local School District.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2023		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,542,257	\$6,228,944	\$6,354,956	\$5,483,785
Special	2,327,662	1,971,221	1,874,762	1,536,541
Support Services:				
Pupil	1,206,819	1,168,371	1,054,131	934,871
Instructional Staff	753,158	717,959	359,140	297,849
Board of Education	48,612	47,687	43,145	40,304
Administration	1,520,905	1,491,682	1,326,409	1,224,184
Fiscal	681,580	668,283	483,365	442,742
Business	31,057	30,584	41,777	39,181
Operation and Maintenance of Plant	2,100,726	1,534,954	1,828,080	1,667,217
Pupil Transportation	829,763	514,929	855,527	688,180
Central	412,885	405,107	493,907	462,250
Operation of Food Service	393,926	51,112	231,703	(232,659)
Operation of Other Non-Instructional Services	66,657	34,691	56,848	8,243
Extracurricular Activities	1,301,693	916,904	1,120,191	871,480
Interest	534	534	1,482	1,482
Total	<u>\$19,218,234</u>	<u>\$15,782,962</u>	<u>\$16,125,423</u>	<u>\$13,465,650</u>

The dependence upon general revenues for governmental activities is apparent.

**The School District's Funds**

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds increased from the prior fiscal year due primarily to an increase in intergovernmental revenues. The general fund saw an increase during fiscal year 2023, due to increased property taxes and investment earnings. Instruction and support services expenditures continue to increase due to inflationary costs of goods and services.

## **Cuyahoga Heights Local School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

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

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

During the course of fiscal year 2023, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

The general fund's actual revenues were greater than final budget basis revenues due to more than expected receipts for interest, miscellaneous, and intergovernmental revenues. The general fund's actual expenditures were lower than the final budget basis expenditures. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of that quality education.

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

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

All capital assets, except land and construction in progress, are reported net of depreciation. The increase in capital assets was due to new asset purchases outpacing depreciation. See Note 12 for additional capital asset information.

#### ***Debt***

During fiscal year 2023, the School District retired its sole lease obligation related to copiers.

The School District's overall debt margin was \$39,419,576 with an unvoted debt margin of \$437,995 at June 30, 2023. See Note 17 to the basic financial statements for additional information on the School District's long-term obligations.

### **School District Outlook**

Possibly the most critical piece of funding is the uncertainty of the replacement dollars for tangible personal property tax. Over \$1.7 million was received from the State of Ohio in fiscal year 2023 to offset the loss of tangible personal property tax. The reduction of this stream of revenue over time will be financially devastating. All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The due diligence of the Board of Education, Administration, Treasurer, Superintendent, community, Finance and BEST Committee contributes to the financial success of the School District and prudent financial decisions for the School District.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer at Cuyahoga Heights Local School District, 4820 E. 71st Street, Cuyahoga Heights, Ohio 44125-1095, or call (216) 429-5800 Treasurer's office.

**Cuyahoga Heights Local School District**

*Statement of Net Position*

*June 30, 2023*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$20,883,794
Inventory Held for Resale	1,591
Materials and Supplies Inventory	20,339
Accrued Interest Receivable	19,189
Accounts Receivable	72,546
Intergovernmental Receivable	373,155
Prepaid Items	21,069
Property Taxes Receivable	13,063,012
Payments in Lieu of Taxes Receivable	206,627
Non-Depreciable Capital Assets	798,600
Depreciable Capital Assets, Net	4,810,559
Net OPEB Asset (See Note 23)	1,316,497
<i>Total Assets</i>	<u>41,586,978</u>
<b>Deferred Outflows of Resources</b>	
Pension	3,838,050
OPEB	476,723
<i>Total Assets</i>	<u>4,314,773</u>
<b>Liabilities</b>	
Accounts Payable	150,025
Accrued Wages and Benefits	1,528,678
Contracts Payable	41,299
Intergovernmental Payable	265,130
Long-Term Liabilities:	
Due Within One Year	109,632
Due In More Than One Year:	
Net Pension Liability (See Note 22)	15,094,790
Net OPEB Liability (See Note 23)	1,008,165
Asset Retirement Obligation (See Note 25)	35,000
Other Amounts Due in More Than One Year	955,359
<i>Total Liabilities</i>	<u>19,188,078</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	10,398,636
Payment in Lieu of Taxes	206,627
Pension	1,265,976
OPEB	2,401,203
<i>Total Deferred Inflows of Resources</i>	<u>14,272,442</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,609,159
Restricted for:	
Capital Projects	2,770,665
Music and Athletics	972,146
Student Activities	116,447
Scholarships:	
Non-Expendable	3,180
Expendable	1,781
Other Purposes	403,414
OPEB Plans	289,927
Unrestricted	2,274,512
<i>Total Net Position</i>	<u>\$12,441,231</u>

See accompanying notes to the basic financial statements



**Cuyahoga Heights Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2023*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$7,542,257	\$1,051,853	\$261,460	(\$6,228,944)
Special	2,327,662	114,855	241,586	(1,971,221)
Support Services:				
Pupil	1,206,819	21,958	16,490	(1,168,371)
Instructional Staff	753,158	13,912	21,287	(717,959)
Board of Education	48,612	925	0	(47,687)
Administration	1,520,905	29,223	0	(1,491,682)
Fiscal	681,580	13,297	0	(668,283)
Business	31,057	473	0	(30,584)
Operation and Maintenance of Plant	2,100,726	39,476	526,296	(1,534,954)
Pupil Transportation	829,763	15,666	299,168	(514,929)
Central	412,885	7,778	0	(405,107)
Operation of Food Service	393,926	159,789	183,025	(51,112)
Operation of Other Non-Instructional Services	66,657	588	31,378	(34,691)
Extracurricular Activities	1,301,693	322,130	62,659	(916,904)
Interest	534	0	0	(534)
<i>Totals</i>	<u>\$19,218,234</u>	<u>\$1,791,923</u>	<u>\$1,643,349</u>	<u>(15,782,962)</u>

**General Revenues**

Property Taxes Levied for General Purposes	13,553,862
Grants and Entitlements not Restricted to Specific Programs	2,647,315
Payment in Lieu of Taxes	164,187
Investment Earnings/Interest	702,998
Miscellaneous	155,780
<i>Total General Revenues</i>	<u>17,224,142</u>
Special Item - Settlement	11,543
<i>Total General Revenues and Special Item</i>	<u>17,235,685</u>
Change in Net Position	1,452,723
<i>Net Position Beginning of Year</i>	<u>10,988,508</u>
<i>Net Position End of Year</i>	<u>\$12,441,231</u>

See accompanying notes to the basic financial statements

**Cuyahoga Heights Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2023*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$16,432,544	\$4,404,611	\$20,837,155
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	897	0	897
Accrued Interest Receivable	19,189	0	19,189
Accounts Receivable	39,088	33,458	72,546
Intergovernmental Receivable	224,646	148,509	373,155
Prepaid Items	21,069	0	21,069
Materials and Supplies Inventory	16,877	3,462	20,339
Inventory Held for Resale	0	1,591	1,591
Interfund Receivable	256,703	0	256,703
Property Taxes Receivable	13,063,012	0	13,063,012
Payments in Lieu of Taxes Receivable	953	205,674	206,627
<i>Total Assets</i>	<u>\$30,074,978</u>	<u>\$4,797,305</u>	<u>\$34,872,283</u>
<b>Liabilities</b>			
Accounts Payable	\$136,099	\$13,926	\$150,025
Contracts Payable	4,849	36,450	41,299
Accrued Wages and Benefits	1,517,087	11,591	1,528,678
Intergovernmental Payable	263,608	1,522	265,130
Interfund Payable	0	256,703	256,703
<i>Total Liabilities</i>	<u>1,921,643</u>	<u>320,192</u>	<u>2,241,835</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	1,071,209	160,888	1,232,097
Payment in Lieu of Taxes	953	205,674	206,627
Property Taxes	10,398,636	0	10,398,636
<i>Total Deferred Inflows of Resources</i>	<u>11,470,798</u>	<u>366,562</u>	<u>11,837,360</u>
<b>Fund Balances</b>			
Nonspendable	38,843	6,642	45,485
Restricted	0	4,263,826	4,263,826
Assigned	3,287,231	0	3,287,231
Unassigned (Deficit)	13,356,463	(159,917)	13,196,546
<i>Total Fund Balances</i>	<u>16,682,537</u>	<u>4,110,551</u>	<u>20,793,088</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$30,074,978</u>	<u>\$4,797,305</u>	<u>\$34,872,283</u>

See accompanying notes to the basic financial statements

**Cuyahoga 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>		\$20,793,088
 <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 governmental funds.		5,609,159
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in governmental funds:		
Delinquent Property Taxes	893,328	
Intergovernmental	144,860	
Tuition and Fees	175,553	
Contributions and Donations	18,356	
Total	1,232,097	1,232,097
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		45,742
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:		
Compensated Absences	(1,064,991)	
Asset Retirement Obligation	(35,000)	
Total	(1,099,991)	(1,099,991)
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 governmental funds:		
Net OPEB Asset	1,316,497	
Deferred Outflows - Pension	3,838,050	
Deferred Outflows - OPEB	476,723	
Net Pension Liability	(15,094,790)	
Net OPEB Liability	(1,008,165)	
Deferred Inflows - Pension	(1,265,976)	
Deferred Inflows - OPEB	(2,401,203)	
Total	(14,138,864)	(14,138,864)
 <i>Net Position of Governmental Activities</i>		\$12,441,231

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$13,479,365	\$0	\$13,479,365
Intergovernmental	2,789,819	1,352,229	4,142,048
Payments in Lieu of Taxes	1,345	162,842	164,187
Investment Earnings/Interest	702,998	0	702,998
Tuition and Fees	1,058,669	0	1,058,669
Extracurricular Activities	12,997	149,709	162,706
Contributions and Donations	5,541	84,559	90,100
Charges for Services	301,032	159,734	460,766
Rentals	13,300	146,241	159,541
Miscellaneous	123,365	32,415	155,780
<i>Total Revenues</i>	<u>18,488,431</u>	<u>2,087,729</u>	<u>20,576,160</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	7,004,219	274,583	7,278,802
Special	1,998,774	211,322	2,210,096
Support Services:			
Pupil	1,181,549	25,210	1,206,759
Instructional Staff	743,773	21,621	765,394
Board of Education	49,655	0	49,655
Administration	1,610,780	0	1,610,780
Fiscal	711,434	0	711,434
Business	25,329	0	25,329
Operation and Maintenance of Plant	2,062,486	316,865	2,379,351
Pupil Transportation	853,246	429,017	1,282,263
Central	416,261	69,374	485,635
Operation of Food Service	2,939	407,648	410,587
Operation of Other Non-Instructional Services	31,569	28,403	59,972
Extracurricular Activities	888,677	304,484	1,193,161
Capital Outlay	60,323	155,558	215,881
Debt Service:			
Principal Retirement	18,427	0	18,427
Interest	534	0	534
<i>Total Expenditures</i>	<u>17,659,975</u>	<u>2,244,085</u>	<u>19,904,060</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>828,456</u>	<u>(156,356)</u>	<u>672,100</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	150,000	150,000
Transfers Out	(150,000)	0	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>
Special Item - Settlement	0	11,543	11,543
<i>Net Change in Fund Balances</i>	678,456	5,187	683,643
<i>Fund Balances Beginning of Year</i>	<u>16,004,081</u>	<u>4,105,364</u>	<u>20,109,445</u>
<i>Fund Balances End of Year</i>	<u>\$16,682,537</u>	<u>\$4,110,551</u>	<u>\$20,793,088</u>

See accompanying notes to the basic financial statements

**Cuyahoga 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*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$683,643</b>
<i>Amounts reported for governmental activities in the statement of activities are different because :</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Capital Asset Additions	1,095,329
Current Year Depreciation	<u>(627,736)</u>
Total	467,593
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(1,010)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Delinquent Property Taxes	74,497
Intergovernmental	40,160
Tuition and Fees	(49,759)
Contributions and Donations	<u>18,356</u>
Total	83,254
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	18,427
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(70,595)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	1,475,000
OPEB	<u>38,225</u>
Total	1,513,225
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the statement of activities:	
Pension	(1,563,958)
OPEB	<u>322,144</u>
Total	<u>(1,241,814)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,452,723</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga 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			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$11,822,535	\$12,733,532	\$12,773,389	\$39,857
Intergovernmental	2,604,784	2,646,711	2,725,114	78,403
Payments in Lieu of Taxes	1,345	1,345	1,345	0
Interest	80,000	570,000	726,697	156,697
Tuition and Fees	717,500	1,013,500	1,040,565	27,065
Extracurricular Activities	1,000	1,000	4,032	3,032
Charges for Services	260,000	270,000	277,695	7,695
Rentals	9,000	9,000	13,300	4,300
Miscellaneous	17,255	20,055	112,619	92,564
<i>Total Revenues</i>	<u>15,513,419</u>	<u>17,265,143</u>	<u>17,674,756</u>	<u>409,613</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,732,823	7,516,062	7,223,340	292,722
Special	1,924,484	2,082,509	1,868,732	213,777
Support Services:				
Pupil	1,161,200	1,187,755	1,170,756	16,999
Instructional Staff	759,000	821,701	765,239	56,462
Board of Education	63,076	65,351	48,035	17,316
Administration	1,397,550	1,674,850	1,634,690	40,160
Fiscal	644,100	668,850	653,309	15,541
Business	43,150	40,480	24,667	15,813
Operation and Maintenance of Plant	1,957,393	2,298,098	1,988,803	309,295
Pupil Transportation	951,216	947,977	841,863	106,114
Central	423,408	446,650	385,153	61,497
Operation of Food Service	750	3,200	2,939	261
Operation of Other Non-Instructional Services	34,300	34,300	31,569	2,731
Extracurricular Activities	934,898	913,455	895,621	17,834
Capital Outlay	23,000	64,200	62,283	1,917
Debt Service:				
Principal Retirement	18,427	18,427	18,427	0
Interest	534	534	534	0
<i>Total Expenditures</i>	<u>18,069,309</u>	<u>18,784,399</u>	<u>17,615,960</u>	<u>1,168,439</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,555,890)</u>	<u>(1,519,256)</u>	<u>58,796</u>	<u>1,578,052</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(225,000)	(175,000)	(150,000)	25,000
Advances In	0	543,555	543,555	0
Advances Out	0	(180,000)	(166,714)	13,286
<i>Total Other Financing Sources (Uses)</i>	<u>(225,000)</u>	<u>188,555</u>	<u>226,841</u>	<u>38,286</u>
<i>Net Change in Fund Balance</i>	<u>(2,780,890)</u>	<u>(1,330,701)</u>	<u>285,637</u>	<u>1,616,338</u>
<i>Fund Balance Beginning of Year</i>	<u>15,868,322</u>	<u>15,868,322</u>	<u>15,868,322</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>164,401</u>	<u>164,401</u>	<u>164,401</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$13,251,833</u>	<u>\$14,702,022</u>	<u>\$16,318,360</u>	<u>\$1,616,338</u>

See accompanying notes to the basic financial statements

**Cuyahoga Heights Local School District**

*Statement of Fund Net Position*

*Internal Service Fund*

*June 30, 2023*

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	<u>Employee Benefit Self Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$45,472</u>
<b>Net Position</b>	
Unrestricted	<u>\$45,472</u>

See accompanying notes to the basic financial statements

**Cuyahoga Heights Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Fund  
For the Year Ended June 30, 2023*

	Employee Benefit Self Insurance
<b>Operating Revenues</b>	\$0
<b>Operating Expenses</b>	0
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	45,742
<i>Net Position End of Year</i>	\$45,742

See accompanying notes to the basic financial statements



**Cuyahoga Heights Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Year Ended June 30, 2023*

	Employee Benefit Self Insurance
<b><i>Increases (Decreases) in Cash and Cash Equivalents</i></b>	
<i>Net Change in Cash and Cash Equivalents</i>	\$0
<i>Cash and Cash Equivalents Beginning of Year</i>	45,742
<i>Cash and Cash Equivalents End of Year</i>	\$45,742

See accompanying notes to the basic financial statements

**Cuyahoga Heights Local School District**

*Statement of Fiduciary Net Position*

*Private Purpose Trust Fund*

*June 30, 2023*

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	<u>Private Purpose Trust</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$25,697</u>
<b>Net Position</b>	
Restricted for:	
Scholarships:	
Non-Expendable	\$25,624
Expendable	<u>73</u>
<i>Total Net Position</i>	<u>\$25,697</u>

See accompanying notes to the basic financial statements

**Cuyahoga Heights Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2023*

	Private Purpose Trust
<b>Additions</b>	
Contributions and Donations	\$350
<b>Deductions</b>	
Scholarships Awarded	4,600
<i>Change in Net Position</i>	(4,250)
<i>Net Position Beginning of Year</i>	29,947
<i>Net Position End of Year</i>	\$25,697

See accompanying notes to the basic financial statements

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## **Cuyahoga 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**

The Cuyahoga Heights Local School District (the School District) is located in Cuyahoga County in the Village of Cuyahoga Heights. The School District also serves the Villages of Brooklyn Heights and Valley View. The School District serves an area of approximately 11.3 square miles.

The School District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The School District ranks as the 118th smallest by enrollment among the 611 public school districts in the State. The School District currently operates one elementary school, one middle school and one comprehensive high school. The School District employs 80 certified (including administrative) and 53 non-certified full-time and part-time employees to provide services to approximately 809 students from pre-school (age 4) to grade 12 and various community groups.

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District 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 the School District, this includes the agencies and departments that provide the following services: general operations, food service, 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. The School District has no component units.

The School District participates in three jointly governed organizations, two public entity risk pools, and one risk sharing pool – the Northeast Ohio Network for Educational Technology, the Ohio Schools Council, and the Cuyahoga Valley Career Center; the Ohio Association of School Business Officials Workers' Compensation Group Rating Program and the Suburban Health Consortium; and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 18, 19, and 20 to 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. The more significant of the School District's accounting policies are described as follows.

## Cuyahoga Heights Local School District

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

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#### ***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.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental 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. 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 function is self-financing or draws from the general revenues of the School District.

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

#### ***Fund Accounting***

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

***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 liabilities and deferred inflows of resources is reported as fund balance. The School District's only major governmental fund is the general fund.

***General Fund*** The general fund is used to account for and report all financial resources except those required to be accounted for or 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.

## Cuyahoga Heights Local School District

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

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The other governmental funds of the School District account for activities relating to the repayment of general long-term debt principal, interest and related costs and grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Proprietary Fund Type*** Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

***Internal Service Fund*** The internal service fund accounts for and reports the financing of services provided by one fund, department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for run off claims for dental and vision insurance of School District Employees dated prior to October 1, 2013.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has a private purpose trust fund which accounts for various college scholarships for students. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has no custodial funds.

#### ***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 current liabilities 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 and fiduciary 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. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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.

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
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Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from the custodial fund.

***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 statement presented for proprietary and fiduciary 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.

***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. 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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, payments in lieu of taxes, interest, tuition, and grants and entitlements.

***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, represents 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 pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

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, payments in lieu of taxes, pension, OPEB plans and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 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, tuition and fees, and contributions and donations. These amounts are deferred and recognized as an inflow of resources in the



## **Cuyahoga Heights Local School District**

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

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period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of the Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 22 and 23).

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

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

#### ***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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues 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, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2023, investments were limited to STAR Ohio, commercial paper, a money market mutual fund, federal home loan mortgage corporation notes, federal home loan bank notes, federal farm credit bank notes, U.S. treasury notes, and negotiable certificates of deposit. Except for STAR Ohio and the commercial paper, investments are reported at fair value which is based on quoted market prices. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

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

## **Cuyahoga Heights Local School District**

### *Notes to the Basic Financial Statements*

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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; 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings/interest revenue credited to the general fund during 2023 amounted to \$702,998, which includes \$150,489 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 reported as cash equivalents.

#### ***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of the other governments or imposed by law through constitutional provision. Restricted assets in the general fund are for unclaimed monies.

#### ***Prepays***

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

#### ***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption, donated food and purchased food. Inventories are accounted for using the consumption method.

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

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental 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.

All capital assets (except for intangible right to use lease assets, which are discussed subsequently) 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 back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate 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 twenty-five hundred 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.

**Cuyahoga Heights Local School District**

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

Description	Estimated Lives
Land Improvements	10 - 40 years
Buildings and Improvements	5 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	4 - 10 years
Intangible Right to Use Lease - Equipment	5 years

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 assets are being amortized in a systematic and rational manner over the short 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 are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

***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 all 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 vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave after twenty years of current service with the School District or at least 50 years of age.

**Cuyahoga Heights Local School District**  
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***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 charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

***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 the proprietary fund 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 and asset retirement obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB 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. Leases are recognized as a liability on the governmental fund financial statements when due.

***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

## Cuyahoga Heights Local School District

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

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authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education has assigned fund balance for uniform school supplies and public school support and to cover a gap between revenue and appropriations in the fiscal year 2024 budget.

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

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.

#### ***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 represents the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. Net position restricted for other purposes include resources restricted for the operation of food service, regular instruction, and pupil support services.

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

#### ***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.

#### ***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are 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 the internal service fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
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***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.

***Leases Payable***

The School District serves as the lessee in a noncancellable lease which are accounted for as follows:

*Lessee* 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 its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**Note 3 – Changes 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.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District did not have any 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 previously.

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 4 – Accountability**

Fund balances at June 30, 2023, included individual fund deficits in the following funds:

	<u>Amount</u>
<b><i>Special Revenue Funds:</i></b>	
IDEA Part B	\$70,434
Elementary and Secondary School Emergency Relief	29,596
Improving Teacher Quality	28,989
Title I	28,298
Drug Free Schools	2,600

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 5 – 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 balance – 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. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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The following table summarizes 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	\$678,456
Net Adjustment for Revenue Accruals	(926,501)
Net Adjustment for Expenditure Accruals	150,395
Beginning Fair Value Adjustment for Investments	46,087
Ending Fair Value Adjustment for Investments	82,409
Advances In	543,555
Advances Out	(166,714)
Perspective Difference:	
Public School Support	(7,596)
Adjustments for Encumbrances	(114,454)
Budget Basis	\$285,637

**Note 6 – Deposits and Investments**

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

Active deposits 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;



## Cuyahoga 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 above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. 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 bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$182,968 of the School District's bank balance of \$738,532 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's one 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:

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

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Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 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	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value Per Share:				
STAR Ohio	\$15,846,160	Average 38.5 Days	AAAm	N/A
Amortized Cost:				
Commercial Paper	877,108	Less than One Year	A-1/A-1+	N/A
Fair Value - Level One Inputs:				
Money Market Mutual Fund	157,416	Less than One Year	N/A	N/A
Fair Value - Level Two Inputs:				
Federal Home Loan Mortgage Corporation Notes	433,711	Less than Three Years	AA+	N/A
Federal Home Loan Bank Notes	255,428	Less than One Year	AAA	N/A
Federal Farm Credit Bank Notes	96,215	Less than Five Years	AAA	N/A
U.S. Treasury Note	256,628	Less than One Years	N/A	N/A
Negotiable Certificates of Deposit	<u>2,387,095</u>	Less than Five Years	N/A	11.75 %
Total Investments	<u>\$20,309,761</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*** The School District has no investment policy that addresses interest rate risk. 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 an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit are not rated. The School District has no investment policy that addresses credit risk.

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

**Cuyahoga Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

**Note 7 – Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepaid Items	\$21,069	\$0	\$21,069
Materials and Supplies Inventory	16,877	3,462	20,339
Endowments - Non-Expendable	0	3,180	3,180
Unclaimed Monies	897	0	897
<i>Total Nonspendable</i>	<u>38,843</u>	<u>6,642</u>	<u>45,485</u>
<u>Restricted for:</u>			
Capital Projects	0	2,770,665	2,770,665
Music and Athletics	0	972,146	972,146
Student Activities	0	116,447	116,447
<u>Other Purposes:</u>			
Food Service	0	71,784	71,784
Other Purposes	0	332,784	332,784
<i>Total Restricted</i>	<u>0</u>	<u>4,263,826</u>	<u>4,263,826</u>
<u>Assigned to:</u>			
Uniform School Supplies	81,243	0	81,243
Public School Support	896	0	896
Fiscal Year 2024 Operations	3,186,975	0	3,186,975
<u>Purchases on Order:</u>			
Instruction	6,918	0	6,918
Support Services	9,089	0	9,089
Extracurricular Activities	150	0	150
Capital Outlay	1,960	0	1,960
<i>Total Assigned</i>	<u>3,287,231</u>	<u>0</u>	<u>3,287,231</u>
Unassigned (Deficit)	<u>13,356,463</u>	<u>(159,917)</u>	<u>13,196,546</u>
<b>Total Fund Balances</b>	<u><u>\$16,682,537</u></u>	<u><u>\$4,110,551</u></u>	<u><u>\$20,793,088</u></u>

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**Note 8 – 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 distributions are received by the School District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility 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 statute at thirty-five 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 revenues received in calendar year 2023 represent the collections of calendar year 2022 taxes. Public utility real taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022, and are collected in calendar year 2023 with real property taxes. Public utility real property is assessed at thirty-five 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 represents the real property and public utility property taxes which were 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 were levied to finance current fiscal year operations and are 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.

The amount available as an advance at June 30, 2023, was \$1,771,048 in the general fund. The amount available as an advance at June 30, 2022, was \$1,065,072 in the general 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	\$349,253,070	81.09 %	\$353,832,130	80.78 %
Public Utility	81,455,430	18.91	84,163,160	19.22
<b>Total</b>	<b>\$430,708,500</b>	<b>100.00 %</b>	<b>\$437,995,290</b>	<b>100.00 %</b>
Full Tax rate per \$1,000 of assessed valuation	\$35.70		\$35.70	

## Cuyahoga Heights Local School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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#### **Note 9 – Tax Abatements**

Pursuant to Sections 5709.62 and 5709.63 of the Ohio Revised Code, the Village of Cuyahoga Heights, the Cuyahoga Valley Career Center, and the Cuyahoga Heights Local School District created an Enterprise Zone Tax Exemption (EZA) Compensation Agreement. This agreement requires revenue sharing payments to be made to the School District equal to 25 percent of the value of the improvements to the property subject to the exemption under said agreement, factoring in the School District's effective property tax rate, collected for the Village from Charter Manufacturing Company. During fiscal year 2023, the Village paid the School District \$65,000.

Pursuant to Section 5709.82 of the Ohio Revised Code, the Village of Cuyahoga Heights and the Cuyahoga Heights Local School District created an EZA Compensation Agreement. This agreement requires revenue sharing payments to be made to the School District equal to half of the collections of 2.5 percent of the taxable payroll collected for the Village from Charter Manufacturing Company. During fiscal year 2023, the Village paid the School District \$67,693.

Pursuant to Sections 3735.65 through 3735.70 of the Ohio Revised Code, the Village of Brooklyn Heights and the Cuyahoga Heights Local School District created a Community Reinvestment Area Agreement. This agreement requires revenue sharing payments to be made to the School District equal to 50 percent of the value of the new structures built on the property subject to the exemption under said agreement, factoring in the School District's effective property tax rate, collected for the Village from Nidec Motor Corporation. During fiscal year 2023, the Village paid the School District \$30,149.

#### **Note 10 – Receivables**

Receivables at June 30, 2023, consisted of accounts, intergovernmental grants, taxes, revenues in lieu of taxes, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected in one year.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	Amount
Foundation	\$184,692
IDEA Part B Special Education Grant	70,434
Elementary and Secondary School Emergency Relief	29,596
Title I-A Grant	28,298
Casino Revenue	26,086
Title II-A Grant	17,443
ESC Reimbursements	13,400
Title IV-A Grant	2,600
Workers' Compensation Refund	468
EDTech Subsidy Grant	138
Total Governmental Activities	<u>\$373,155</u>

## **Cuyahoga Heights Local School District**

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

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#### ***Payments in Lieu of Taxes***

The School District is party to Tax Increment Financing (TIF) agreements. Municipalities, townships, and counties can enter into TIF agreements which lock in real property at its unimproved value for up to 30 years in a defined TIF district. Some TIF agreements also require the TIF government to allocate service payments to school districts and other governments to help offset the property taxes these governments would have received had the improvements to real property not been exempted. The service payments that the School District receives as part of TIF agreements are presented on the financial statements as Payments in Lieu of Taxes.

#### **Note 11 – Contingent Liabilities**

##### ***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, additional ODE adjustments for fiscal year 2023 have been finalized. The FTE adjustments made by ODE subsequent to year-end were not material to the financial statements.

##### ***Litigation***

The School District is party to various legal proceedings. The outcomes of these proceedings are indeterminable at this time. Any negative settlement will be covered by insurance.

##### ***Theft Loss***

In a report dated October 8, 2012, Auditor of State Dave Yost's Office issued findings for recovery for public money totaling \$4.2 million in favor of the School District. According to the findings, former IT Director Joseph Palazzo authorized 436 payments, totaling \$3,844,155, to seven companies in which the School District received no goods or services. Ten findings for recovery were issued against various vendors and individuals in this amount. An additional 179 transactions, totaling \$336,495, were found to be made for good or services that cannot be located by the School District. A finding for recovery was issued against Palazzo in this amount, with additional individuals held jointly and severally liable for portions of the amount. Additionally, a review of bank records revealed payments totaling \$1,308,194 made directly to Palazzo from four of the seven vendors after they received their payments from the School District. Legal action is being taken against all parties involved in the above findings for recovery. The School District anticipates funds will be recovered, but is unable to determine the actual amount. The School District recovered \$11,543 in fiscal year 2023.

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

**Note 12 – Capital Assets**

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

	Balance 6/30/22	Additions	Deletions	Balance 6/30/23
<i>Capital Assets, not being depreciated/amortized:</i>				
Land	\$798,600	\$0	\$0	\$798,600
Construction in Progress	27,088	231,691	(258,779)	0
<i>Total Capital Assets, not being depreciated/amortized</i>	<u>825,688</u>	<u>231,691</u>	<u>(258,779)</u>	<u>798,600</u>
<i>Capital Assets, being depreciated/amortized:</i>				
Land Improvements	1,033,921	8,500	0	1,042,421
Buildings and Improvements	16,871,438	546,801	0	17,418,239
Furniture and Equipment	3,797,972	138,099	(45,807)	3,890,264
Vehicles	1,295,628	429,017	(237,227)	1,487,418
Intangible Right to Use Lease - Equipment**	35,906	0	0	35,906
<i>Total Capital Assets, being depreciated/amortized</i>	<u>23,034,865</u>	<u>1,122,417</u>	<u>(283,034)</u>	<u>23,874,248</u>
<i>Less Accumulated Depreciation/Amortization:</i>				
Land Improvements	(605,853)	(81,877)	0	(687,730)
Buildings and Improvements	(13,944,092)	(222,385)	0	(14,166,477)
Furniture and Equipment	(3,172,075)	(180,349)	45,807	(3,306,617)
Vehicles	(978,478)	(124,698)	236,217	(866,959)
Intangible Right to Use Lease - Equipment**	(17,479)	(18,427)	0	(35,906)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(18,717,977)</u>	<u>(627,736) *</u>	<u>282,024</u>	<u>(19,063,689)</u>
<i>Total Capital Assets, being depreciated/amortized, net</i>	<u>4,316,888</u>	<u>494,681</u>	<u>(1,010)</u>	<u>4,810,559</u>
Governmental Activities Capital Assets, Net	<u>\$5,142,576</u>	<u>\$726,372</u>	<u>(\$259,789)</u>	<u>\$5,609,159</u>

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

Instruction:	
Regular	\$244,163
Support Services:	
Pupil	503
Instructional Staff	315
Administration	3,084
Fiscal	629
Business	5,728
Operation and Maintenance of Plant	108,954
Pupil Transportation	54,761
Central	24,673
Non-Instructional Services	7,238
Extracurricular Activities	177,688
Total Depreciation/Amortization Expense	<u>\$627,736</u>

## **Cuyahoga Heights Local School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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\*\* Of the current year depreciation/amortization total of \$627,736, \$18,427 is presented as regular instruction expense on the statement of activities related to the School District's intangible asset of copiers, which is included as an Intangible Right to Use Lease.

#### **Note 13 – Risk Management**

##### ***Workers' Compensation***

For fiscal year 2023, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefits of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate of the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sedgwick provides administrative, cost control and actuarial services to the GRP.

##### ***Employee Medical Benefits***

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 19), to provide group health and prescription insurance coverage. Rates are set or determined by the Board of Directors or by contract. The School District pays a monthly contribution which is placed in a reserve fund from which the claims payments are made for all participating districts.

The School District also provides group life insurance coverage through the Ohio Schools Council, group dental insurance coverage through Delta Dental, and group vision insurance coverage through VSP.



**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

***Property and Liability***

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 for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Todd Associates	Treasurer's Bond	\$100,000
	Superintendent's and Board President's Bonds	50,000
Schools of Ohio Risk Sharing Authority	Building and Business Property	350,000,000
	Earth Movement per Occurrence	10,000,000
	Flood Limit (Zome A or V Excluded)	10,000,000
	Equipment Breakdown	350,000,000
	Employee Theft	1,000,000
	Forgery or Alteration	1,000,000
	Accounts Receivable	1,000,000
	Arson Reward	100,000
	Automobile Physical Damage	10,000,000
	Backup of Sewers and Drains	350,000,000
	Business Income	2,000,000
	Change of Temperature/Spoilage	100,000
	Data Restoration	500,000
	Unnamed Property	1,000,000
	Covered Property in Transit	500,000
	Debris Removal	350,000,000
	Electronic Data Processing Equipment	350,000,000
	Extra Expense	2,500,000
	Fine Arts	750,000
	Mobile Equipment	350,000,000
	Musical Instruments, Athletic Equipment or Band & Athletic Uniforms	350,000,000
	Newly Constructed or Acquired Property	5,000,000
	Errors and Omissions	2,500,000
	Off Premise Service Interruption	500,000
	Valuable Papers & Records	1,000,000
	Terrorism	350,000,000
	General Liability	15,000,000
	General Annual Aggregate	17,000,000
	Educators' Legal Liability Wrongful Acts Coverage	15,000,000
	Automobile Liability:	
	Bodily Injury and Property Damage	15,000,000
	Uninsured	1,000,000
Underinsured Motorist	1,000,000	
Automobile Physical Damage	Actual Cash Value	
Garagekeepers Legal Liability	Actual Cash Value	

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.

**Cuyahoga Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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**Note 14 – Interfund Transactions**

***Interfund Transfers***

During fiscal year 2023, the general fund transferred \$100,000 to the district managed student activity special revenue fund and \$50,000 to the permanent improvement capital projects fund. These transfers were to move unrestricted balances to support programs and projects accounted for in those fund.

***Interfund Balances***

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

<u>Interfund Payable</u>	<u>Interfund Receivable General</u>
Title VI-B	\$70,434
Food Service	50,000
Elementary and Secondary School Emergency Relief	49,605
Improving Teacher Quality	32,500
Title I	28,298
Permanent Improvement	23,266
Title IV-A	2,600
Total	<u><u>\$256,703</u></u>

The purpose of the interfund balances was to cover expenses in the funds pending the receipt of various revenues. All advances are payable to the general fund and are expected to be repaid in fiscal year 2024.

**Note 15 – 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:

General	\$114,454
Permanent Improvement	46,855
Other Governmental Funds	72,348
Total	<u><u>\$233,657</u></u>

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**Note 16 – Employee Benefits**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

**Classified Employees** Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Classified employees earn sick leave at the rate of one and one-quarter day per month to a maximum of fifteen days in any one year. The accumulation of unused sick leave is unlimited. Eligibility for severance pay shall be defined as qualifying for retirement benefits from the School Employees Retirement System providing the employee has eight or more consecutive years of service in the employment of the Cuyahoga Heights Local School District. When eligibility for severance pay has been established, the employee will be paid 30 percent of accumulated sick leave to his/her credit as of his/her last day of service, to a maximum severance pay of seventy-six days. Payment will be made within one hundred and twenty days from their last month of service.

**Certified Employees** Teachers do not earn vacation time. Teachers earn sick leave at the rate of one and one-quarter day per month to a maximum of fifteen days in any one year. The accumulation of unused sick leave is unlimited. Eligibility for severance pay shall be defined as qualifying for retirement benefits from the State Teachers Retirement System providing the teacher has had five years of consecutive teaching experience in the Cuyahoga Heights Local School District. When eligibility for severance pay has been established, the teacher will be paid 30 percent of accumulated sick leave to his/her credit as of his/her last day of service, to a maximum severance pay of seventy-six days. Payment will be computed on the teacher's daily rate of pay in the last year of service, exclusive of supplemental pay. Payment will be made within one hundred and twenty days from their last month of service, within the calendar year of retirement.

**Note 17 – Long-Term Obligations**

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

	Amount Outstanding 6/30/22	Additions	Reductions	Amount Outstanding 6/30/23	Amount Due in One Year
<b>Long-Term Obligations:</b>					
Net Pension Liability:					
SERS	\$2,397,130	\$1,395,181	\$0	\$3,792,311	\$0
STRS	6,468,249	4,834,230	0	11,302,479	0
Total Net Pension Liability	8,865,379	6,229,411	0	15,094,790	0
Net OPEB Liability:					
SERS	1,264,626	0	(256,461)	1,008,165	0
Lease Payable	18,427	0	(18,427)	0	0
Compensated Absences	994,396	303,156	(232,561)	1,064,991	109,632
Asset Retirement Obligation	35,000	0	0	35,000	0
<b>Total Long-Term Obligations</b>	<b>\$11,177,828</b>	<b>\$6,532,567</b>	<b>(\$507,449)</b>	<b>\$17,202,946</b>	<b>\$109,632</b>

## **Cuyahoga Heights Local School District**

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

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Compensated absences will be paid from the general fund and the food service special revenue fund. The asset retirement obligation will be paid from the general fund. There is no repayment schedule for the net pension liability or the net OPEB liability; however, employer pension and OPEB plan contributions are made from the general fund and the food service special revenue fund. For additional information related to the net pension liability and the net OPEB liability see Notes 22 and 23.

The School District had an outstanding agreement to lease copiers. The lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount was being amortized using the interest method over the life of the lease. This lease was paid from the general fund.

The School District's overall debt margin was \$39,419,576 with an unvoted debt margin of \$437,995 at June 30, 2023.

#### **Note 18 – Jointly Governed Organizations**

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

The Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Information Technology Center (ITC) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All members in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating members governs NEONET. The Board exercises total control over the operations of NEONET including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. Payments to NEONET are made from the general fund and the permanent improvement capital projects fund. The School District paid \$65,495 in contributions to NEONET in fiscal year 2023. Financial information can be obtained by contacting the Fiscal Officer at the Metropolitan Regional Service Council/Northeast Ohio Network for Educational Technology (NEONet), at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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

The Ohio Schools Council (Council) is a jointly governed organization among approximately 250 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 Assembly exercises total control over the operations of the Ohio Schools Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Assembly. 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 September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2023, the School District paid \$82,490 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director at the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

## **Cuyahoga 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 participates in the OSC Natural Gas Program. This program allows the School District to purchase natural gas at reduced rates. Constellation NewEnergy was the supplier for the term July '21 to June '23. There are currently 186 participants in the program, including the School District. The participants make estimated monthly payments to the OSC for gas usage based on the prior year's usage. These estimated payments are compared to the actual usage creating an ending FY balance. Districts with a positive balance can use their credit for future billings or request a refund via check. Districts with negative ending year balances are invoiced in September of the next fiscal year. The School District pays Dominion East Ohio for the transportation of natural gas.

The School District also participates in the P4S (Power4Schools) electric program. The P4S program is a partnership between OASBO, OSBA, BASA and the OSC. Engie Resources was the supplier in FY '23 for the P4S program. There are currently 175 participants in the P4S program including the School District. The School District pays the Cleveland Electric Illuminating Company (CEI) for distribution from CEI and Engie's reduced generation rates on a consolidated bill.

The School District also participates in the Council's employee life insurance program.

#### ***Cuyahoga Valley Career Center***

The Cuyahoga Valley Career Center (a joint vocational school) is a district political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives appointed by each participating school district's elected board, which possess its own budgeting and taxing authority. The Board exercises total control over the operations of the Cuyahoga Valley Career Center including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2023. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

#### **Note 19 – Public Entity Risk Pools**

##### ***Ohio Association of School Business Officials Workers' Compensation Group Rating Program***

The School District participates in a group rating program for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

##### ***Suburban Health Consortium***

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative

## **Cuyahoga Heights Local School District**

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

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on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also sets all premiums and other amounts to be paid by the Consortium members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

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

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

#### **Note 20 – Risk Sharing Pool**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 130 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

**Cuyahoga Heights Local School District**  
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*For the Fiscal Year Ended June 30, 2023*

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**Note 21 – 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 as of June 30, 2022	\$0
Current Year Set-Aside Requirement	174,657
Offsets During the Fiscal Year	(212,842)
Totals	(\$38,185)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2023	\$0

While the current year offsets during the fiscal year reduced the capital improvement set-asides amount to below zero, this amount may not be used to reduce the set-asides requirements of future fiscal years.

**Note 22 – Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability***

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.

**Cuyahoga Heights Local School District**

*Notes to the Basic Financial Statements*

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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 23 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 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.



## **Cuyahoga Heights Local School District**

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

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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 \$405,292 for fiscal year 2023. Of this amount \$30,503 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, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent 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.

## **Cuyahoga Heights Local School District**

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

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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.

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 \$1,069,708 for fiscal year 2023. Of this amount \$139,949 is reported as an intergovernmental payable.

**Cuyahoga Heights Local School District**  
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***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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07011400%	0.05084306%	
Prior Measurement Date	<u>0.06496800%</u>	<u>0.05058892%</u>	
Change in Proportionate Share	<u>0.00514600%</u>	<u>0.00025414%</u>	
Proportionate Share of the Net Pension Liability	\$3,792,311	\$11,302,479	\$15,094,790
Pension Expense	\$206,606	\$1,357,352	\$1,563,958

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$153,592	\$144,687	\$298,279
Changes of assumptions	37,420	1,352,566	1,389,986
Net difference between projected and actual earnings on pension plan investments	0	393,301	393,301
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	192,889	88,595	281,484
School District contributions subsequent to the measurement date	<u>405,292</u>	<u>1,069,708</u>	<u>1,475,000</u>
Total Deferred Outflows of Resources	<u>\$789,193</u>	<u>\$3,048,857</u>	<u>\$3,838,050</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$24,896	\$43,235	\$68,131
Changes of assumptions	0	1,018,094	1,018,094
Net difference between projected and actual earnings on pension plan investments	132,334	0	132,334
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>47,417</u>	<u>0</u>	<u>47,417</u>
Total Deferred Inflows of Resources	<u>\$204,647</u>	<u>\$1,061,329</u>	<u>\$1,265,976</u>

## Cuyahoga Heights Local School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

\$1,475,000 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	\$66,178	\$68,757	\$134,935
2025	82,200	2,072	84,272
2026	(189,043)	(299,265)	(488,308)
2027	219,919	1,146,256	1,366,175
Total	\$179,254	\$917,820	\$1,097,074

### ***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 as follows:

	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)

**Cuyahoga Heights Local School District**

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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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

**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.

**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.

**Cuyahoga Heights Local School District**  
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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$5,582,100	\$3,792,311	\$2,284,437

***Actuarial Assumptions – STRS***

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

	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.

## Cuyahoga Heights Local School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	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
Total	100.00%	

\* 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 consultation 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	\$17,073,927	\$11,302,479	\$6,421,616

**Cuyahoga Heights Local School District**  
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**Note 23 – Defined Benefit OPEB Plans**

See Note 22 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 \$38,225.

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 \$38,225 for fiscal year 2023. The entire amount is reported as an intergovernmental payable.



## Cuyahoga Heights Local School District

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.07180610%	0.05084306%	
Prior Measurement Date	<u>0.06682010%</u>	<u>0.05058892%</u>	
Change in Proportionate Share	<u>0.00498600%</u>	<u>0.00025414%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,008,165	\$0	\$1,008,165
Net OPEB (Asset)	\$0	(\$1,316,497)	(\$1,316,497)
OPEB Expense	(\$89,389)	(\$232,755)	(\$322,144)

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

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	\$8,475	\$19,085	\$27,560
Changes of assumptions	160,361	56,078	216,439
Net difference between projected and actual earnings on OPEB plan investments	5,240	22,917	28,157
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	159,557	6,785	166,342
School District contributions subsequent to the measurement date	38,225	0	38,225
<b>Total Deferred Outflows of Resources</b>	<b>\$371,858</b>	<b>\$104,865</b>	<b>\$476,723</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$644,896	\$197,713	\$842,609
Changes of assumptions	413,859	933,523	1,347,382
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	211,013	199	211,212
<b>Total Deferred Inflows of Resources</b>	<b>\$1,269,768</b>	<b>\$1,131,435</b>	<b>\$2,401,203</b>

\$38,225 reported as deferred outflows of resources related to OPEB resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or 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	(\$223,281)	(\$297,463)	(\$520,744)
2025	(241,987)	(296,779)	(538,766)
2026	(202,637)	(140,917)	(343,554)
2027	(113,299)	(58,586)	(171,885)
2028	(68,904)	(76,938)	(145,842)
Thereafter	(86,027)	(155,887)	(241,914)
<b>Total</b>	<b>(\$936,135)</b>	<b>(\$1,026,570)</b>	<b>(\$1,962,705)</b>

## Cuyahoga Heights Local School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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#### 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 as follows:

	<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

## Cuyahoga Heights Local School District

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

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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 22.

***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.

**Cuyahoga Heights Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$1,252,156	\$1,008,165	\$811,198
		Current Trend Rate	
	1% Decrease (6.00% decreasing to 3.40%)	(7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$777,476	\$1,008,165	\$1,309,482

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021, actuarial valuation are presented as follows:

	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.

**Cuyahoga Heights Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2023*

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 22.

**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.

**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</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(7.00%)</u>
		<u>(7.00%)</u>	<u>(8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$1,217,066)	(\$1,316,497)	(\$1,401,666)

  

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
School District's proportionate share of the net OPEB (asset)	(\$1,365,527)	(\$1,316,497)	(\$1,254,607)

**Note 24 – Endowments**

The School District's permanent funds include donor-restricted endowments. The net position – non-expendable amounts of \$3,180 represent the principal portion of the endowments. The net position – expendable amount of \$1,781 represents the interest earnings on donor-restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment's intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

## **Cuyahoga 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's private purpose trust fund includes donor-restricted endowments. The net position – non-expendable amounts of \$25,624 represent the principal portion of the endowments. The net position – expendable amount of \$73 represents the interest earnings on donor- restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment's intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

#### **Note 25 – Asset Retirement Obligation**

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$35,000 associated with the School District's underground storage tanks was estimated by the School District. The UST is fully depreciated. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

#### **Note 26 – 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 nation 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.

**Cuyahoga 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
School District's Proportion of the Net Pension Liability	0.07011400%	0.06496800%	0.06820100%
School District's Proportionate Share of the Net Pension Liability	\$3,792,311	\$2,397,130	\$4,510,957
School District's Covered Payroll	\$2,642,000	\$2,186,036	\$2,417,536
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	143.54%	109.66%	186.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%

\* 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



2020	2019	2018	2017	2016	2015	2014
0.06865400%	0.08253190%	0.07203250%	0.06971720%	0.07110350%	0.06990600%	0.06990600%
\$4,107,689	\$4,726,756	\$4,303,781	\$5,102,656	\$4,057,234	\$3,537,902	\$4,157,085
\$2,347,622	\$2,287,881	\$2,218,207	\$2,162,114	\$2,158,058	\$2,040,084	\$2,125,137
174.97%	206.60%	194.02%	236.00%	188.00%	173.42%	195.61%
70.85%	71.36%	75.30%	62.98%	69.16%	71.70%	65.52%

**Cuyahoga 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
School District's Proportion of the Net Pension Liability	0.05084306%	0.05058892%	0.05026562%
School District's Proportionate Share of the Net Pension Liability	\$11,302,479	\$6,468,249	\$12,162,491
School District's Covered Payroll	\$6,683,007	\$5,402,657	\$6,045,329
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.12%	119.72%	201.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%

\* 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

2020	2019	2018	2017	2016	2015	2014
0.04938960%	0.04926500%	0.04913376%	0.04862132%	0.04741366%	0.04913797%	0.04913797%
\$10,922,213	\$10,832,266	\$11,671,830	\$16,275,022	\$13,103,748	\$11,952,055	\$14,237,210
\$5,836,750	\$5,639,707	\$5,420,957	\$5,116,636	\$5,010,679	\$4,974,892	\$5,273,231
187.13%	192.07%	215.31%	318.08%	261.52%	240.25%	269.99%
77.40%	77.30%	69.50%	66.80%	72.10%	74.70%	69.30%

**Cuyahoga 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
School District's Proportion of the Net OPEB Liability	0.07180610%	0.06682010%	0.07006610%
School District's Proportionate Share of the Net OPEB Liability	\$1,008,165	\$1,264,626	\$1,522,765
School District's Covered Payroll	\$2,642,000	\$2,186,036	\$2,417,536
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.16%	57.85%	62.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%

(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 fiscal 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

2020	2019	2018	2017
0.06947080%	0.08159150%	0.07293620%	0.07033430%
\$1,747,046	\$2,263,567	\$1,957,416	\$2,004,788
\$2,347,622	\$2,287,881	\$2,218,207	\$2,162,114
74.42%	98.94%	88.24%	92.72%
15.57%	13.57%	47.10%	37.30%

**Cuyahoga 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
School District's Proportion of the Net OPEB Liability/Asset	0.05084306%	0.05058892%	0.05026562%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,316,497)	(\$1,066,624)	(\$883,417)
School District's Covered Payroll	\$6,683,007	\$5,402,657	\$6,045,329
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-19.70%	-19.74%	-14.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%

(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 fiscal 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

2020	2019	2018	2017
0.04938960%	0.04926500%	0.04913376%	0.04862132%
(\$818,010)	(\$791,637)	\$1,917,018	\$2,600,281
\$5,836,750	\$5,639,707	\$5,420,957	\$5,116,636
-14.01%	-14.04%	35.36%	50.82%
174.70%	176.00%	12.46%	11.49%

**Cuyahoga Heights Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2023	2022	2021	2020
<b>Net Pension Liability:</b>				
Contractually Required Contribution	\$405,292	\$369,880	\$306,045	\$338,455
Contributions in Relation to the Contractually Required Contribution	(405,292)	(369,880)	(306,045)	(338,455)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Covered Payroll (1)	\$2,894,943	\$2,642,000	\$2,186,036	\$2,417,536
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
<b>Net OPEB Liability:</b>				
Contractually Required Contribution (2)	\$38,225	\$47,476	\$42,139	\$41,673
Contributions in Relation to the Contractually Required Contribution	(38,225)	(47,476)	(42,139)	(41,673)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
OPEB Contributions as a Percentage of Covered Payroll	1.32%	1.80%	1.93%	1.72%
Total Contributions as a Percentage of Covered Payroll (2)	15.32%	15.80%	15.93%	15.72%

(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
\$316,929	\$308,864	\$310,549	\$302,696	\$284,432	\$282,756
(316,929)	(308,864)	(310,549)	(302,696)	(284,432)	(282,756)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,347,622	\$2,287,881	\$2,218,207	\$2,162,114	\$2,158,058	\$2,040,084
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%
\$49,988	\$46,455	\$39,011	\$34,232	\$57,817	\$37,321
(49,988)	(46,455)	(39,011)	(34,232)	(57,817)	(37,321)
\$0	\$0	\$0	\$0	\$0	\$0
2.13%	2.03%	1.76%	1.58%	2.68%	1.83%
15.63%	15.53%	15.76%	15.58%	15.86%	15.69%

**Cuyahoga Heights Local School District**

*Required Supplementary Information  
Schedule of School District Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Net Pension Liability:</b>				
Contractually Required Contribution	\$1,069,708	\$935,621	\$756,372	\$846,346
Contributions in Relation to the Contractually Required Contribution	<u>(1,069,708)</u>	<u>(935,621)</u>	<u>(756,372)</u>	<u>(846,346)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$7,640,771	\$6,683,007	\$5,402,657	\$6,045,329
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
\$817,145	\$789,559	\$758,934	\$716,329	\$701,495	\$646,736
(817,145)	(789,559)	(758,934)	(716,329)	(701,495)	(646,736)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,836,750	\$5,639,707	\$5,420,957	\$5,116,636	\$5,010,679	\$4,974,892
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
\$0	\$0	\$0	\$0	\$0	\$49,749
0	0	0	0	0	(49,749)
\$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%

**Cuyahoga 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 as follows:

	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 as follows:

**Cuyahoga 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.

**Cuyahoga 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 as follows:

	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 as follows:

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.

**Cuyahoga 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 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.

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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**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal AL Number	Passed Through to Subrecipients	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	\$0	\$167,054	\$39,150
National School Lunch Program - COVID-19	10.555	0	24,551	0
Total Child Nutrition Cluster		0	191,605	39,150
Pandemic Electronic Benefit Transfer Administrative Expenses - COVID-19	10.649	0	628	0
<b>Total U.S. Department of Agriculture</b>		0	192,233	39,150
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>				
<i>Passed Through Ohio Facilities Construction Commission:</i>				
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	0	1,300	0
<b>Total U.S. Department of Treasury</b>		0	1,300	0
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Office of STEM Engagement (OSTEM)	43.008	0	1,000	0
<b>Total National Aeronautics and Space Administration</b>		0	1,000	0
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies - 2022	84.010	0	815	0
Title I Grants to Local Educational Agencies - 2023	84.010	0	83,631	0
Total Title I		0	84,446	0
Special Education Cluster:				
Special Education Grants to States (IDEA, Part B)	84.027	0	126,876	0
Special Education Grants to States - ARP IDEA (IDEA, Part B) - COVID-19	84.027X	0	10,949	0
Total Special Education Grants to States (IDEA, Part B)		0	137,825	0
Special Education Preschool Grants (IDEA Preschool)	84.173	1,511	1,511	0
Total Special Education Preschool Grants (IDEA Preschool)		1,511	1,511	0
Total Special Education Cluster		1,511	139,336	0
English Language Acquisition State Grants	84.365	664	664	0
Supporting Effective Instruction State Grants				
Supporting Effective Instruction State Grants- 2022	84.367	0	3,348	0
Supporting Effective Instruction State Grants- 2023	84.367	0	15,777	0
Total Supporting Effective Instruction State Grants		0	19,125	0
Student Support and Academic Enrichment Grants				
Student Support and Academic Enrichment Grants - 2022	84.424	0	1,848	0
Student Support and Academic Enrichment Grants - 2023	84.424	0	4,236	0
Total Student Support and Academic Enrichment Grants		0	6,084	0
Education Stabilization Funds				
Elementary and Secondary School Emergency Relief - ESSER II - COVID-19	84.425D	0	38,100	0
Elementary and Secondary School Emergency Relief - ARP ESSER - COVID-19	84.425U	0	430,674	0
Total Education Stabilization Funds		0	468,774	0
<b>Total U.S. Department of Education</b>		2,175	718,429	0
<b>Total</b>		<b>\$2,175</b>	<b>\$912,962</b>	<b>\$39,150</b>

*The accompanying notes are an integral part of this schedule.*

**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - SUBRECIPIENTS**

The District passes certain federal awards received from U.S Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a pass-through entity, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E - CHILD NUTRITION CLUSTER**

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

**NOTE F – FOOD DONATION PROGRAM**

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

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

Cuyahoga Heights Local School District  
Cuyahoga County  
4820 East 71<sup>st</sup> Street  
Cuyahoga Heights, Ohio 44125

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Cuyahoga Heights Local School District, Cuyahoga County, (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 March 20, 2024.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2024

# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Cuyahoga Heights Local School District  
Cuyahoga County  
4820 East 71<sup>st</sup> Street  
Cuyahoga Heights, Ohio 44125

To the Board of Education:

### Report on Compliance for the Major Federal Program

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

We have audited the Cuyahoga Heights Local School District's, Cuyahoga County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on 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.

In our opinion, the District complied, in all material respects, with the 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 the Major Federal Program*

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

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

### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

### ***Report on Internal Control Over Compliance***

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 20, 2024

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**CUYAHOGA HEIGHTS LOCAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

# OHIO AUDITOR OF STATE KEITH FABER



**CUYAHOGA 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 3/28/2024**

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)