



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTH EUCLID-LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2023**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	20
Elementary and Secondary School Emergency Relief Fund .....	21
Notes to the Basic Financial Statements .....	22

**SOUTH EUCLID-LYNDHURST SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2023**

**TABLE OF CONTENTS  
(Continued)**

TITLE	PAGE
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 .....	66
Schedule of the School District's Proportionate Share of the Net OPEB Liability - School Employees Retirement System of Ohio – Last Seven Fiscal Years .....	68
Schedule of the School District's Proportionate Share of the Net Pension Liability - State Teachers Retirement System of Ohio – Last Ten Fiscal Years .....	70
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset) - State Teachers Retirement System of Ohio – Last Seven Fiscal Years .....	72
Schedule of the School District's Contributions - School Employees Retirement System of Ohio – Last Ten Fiscal Years .....	74
Schedule of the School District's Contributions State Teachers Retirement System of Ohio – Last Ten Fiscal Years .....	76
Notes to Required Supplementary Information .....	78
Schedule of Expenditures of Federal Awards .....	83
Notes to the Schedule of Expenditures of Federal Awards .....	84
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	87
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	89
Schedule of Findings .....	93
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	95

# OHIO AUDITOR OF STATE KEITH FABER



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

## INDEPENDENT AUDITOR'S REPORT

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City 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, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District, Cuyahoga County, Ohio as of June 30, 2023, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and Elementary and Secondary School Emergency Relief 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 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 of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 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

February 8, 2024

**This page intentionally left blank.**



## South Euclid-Lyndhurst City School District

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2023*

*Unaudited*

---

The discussion and analysis of the South Euclid-Lyndhurst City 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.

### **Financial Highlights**

Key financial highlights for 2023 are as follows:

- Total net position increased during fiscal year 2023 primarily due to increases in current and capital assets as well as to changes in the net pension and OPEB asset/liabilities and the deferrals associated with these asset/liabilities.
- The increase in capital assets was due to current year additions exceeding annual depreciation and current year deletions. Additions included construction in progress, building improvements related to windows and electronic locking doors replacements throughout the School District, security replacement servers, maintenance and cafeteria equipment and two new school buses.
- 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 Annual Financial Report**

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

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

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

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

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as 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 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

---

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

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

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

*Fund Financial Statements*

The analysis of the School District's 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 major governmental funds are the general fund and elementary and secondary school emergency relief special revenue 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 to 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.

**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 provides a summary of the School District's net position for fiscal year 2023 compared to fiscal year 2022.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**(Table 1)**  
 Net Position

	Governmental Activities		
	2023	2022	Change
<b>Assets</b>			
Current and Other Assets	\$88,650,720	\$85,453,904	\$3,196,816
Net OPEB Asset	5,343,619	4,356,730	986,889
Capital Assets, Net	30,780,787	26,187,865	4,592,922
<i>Total Assets</i>	<u>124,775,126</u>	<u>115,998,499</u>	<u>8,776,627</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	59,226	68,456	(9,230)
Pension	14,055,180	13,674,271	380,909
OPEB	1,411,058	1,442,023	(30,965)
Asset Retirement Obligation	12,600	14,400	(1,800)
<i>Total Deferred Outflows of Resources</i>	<u>15,538,064</u>	<u>15,199,150</u>	<u>338,914</u>
<b>Liabilities</b>			
Current Liabilities	8,757,792	8,388,183	(369,609)
Long Term Liabilities:			
Due Within One Year	2,761,452	2,407,921	(353,531)
Due in More than One Year			
Net Pension Liability	61,800,993	37,054,730	(24,746,263)
Net OPEB Liability	4,057,298	5,251,430	1,194,132
Other Amounts	11,803,692	12,969,425	1,165,733
<i>Total Liabilities</i>	<u>89,181,227</u>	<u>66,071,689</u>	<u>(23,109,538)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	45,955,529	46,056,018	100,489
Payments in Lieu of Taxes	166,818	167,326	508
Pension	6,501,805	30,958,865	24,457,060
OPEB	9,778,890	9,324,354	(454,536)
<i>Total Deferred Inflows of Resources</i>	<u>62,403,042</u>	<u>86,506,563</u>	<u>24,103,521</u>
<b>Net Position</b>			
Net Investment in Capital Assets	21,794,884	16,662,706	5,132,178
Restricted:			
Capital Projects	2,662,038	2,855,501	(193,463)
Debt Service	1,645	358	1,287
OPEB Plans	990,992	0	990,992
Other Purposes	889,353	852,038	37,315
Unrestricted (Deficit)	<u>(37,609,991)</u>	<u>(41,751,206)</u>	<u>4,141,215</u>
<i>Total Net Position</i>	<u><u>(\$11,271,079)</u></u>	<u><u>(\$21,380,603)</u></u>	<u><u>\$10,109,524</u></u>

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

---

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, 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 School District continues to provide the services that the School District residents expect while maintaining the costs of providing those services. The most dramatic changes were (1) increases to net capital assets and cash and cash equivalents and (2) changes in the net pension and net OPEB (asset) liabilities and the deferred outflows and inflows associated with these liabilities. Capital assets increased as a result of current year additions significantly exceeding annual depreciation and current year deletions. Cash and cash equivalents increased significantly as a result of cash receipts outpacing cash disbursements by approximately \$6.9 million from careful management of resources. Changes in pension benefits, contributions rates, and return on investments affect the balance of the net pension and net OPEB (asset) liabilities.

Table 2 shows the change in net position for fiscal years 2023 and 2022.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**(Table 2)**  
**Changes in Net Position**  
**Governmental Activities**

	2023	2022	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$2,474,315	\$2,013,070	\$461,245
Operating Grants, Contributions and Interest	11,083,786	8,114,487	2,969,299
<i>Total Program Revenues</i>	<u>13,558,101</u>	<u>10,127,557</u>	<u>3,430,544</u>
<b>General Revenues</b>			
Property Taxes	51,787,685	53,107,198	(1,319,513)
Grants and Entitlements	12,311,528	12,421,997	(110,469)
Unrestricted Contributions	4,575	10	4,565
Investment Earnings/Interest	1,024,745	(39,075)	1,063,820
Payment in Lieu of Taxes	190,730	116,607	74,123
Gain from Sale of Capital Assets	160,915	0	160,915
Miscellaneous	377,676	337,280	40,396
<i>Total General Revenues</i>	<u>65,857,854</u>	<u>65,944,017</u>	<u>(86,163)</u>
<i>Total Revenues</i>	<u>79,415,955</u>	<u>76,071,574</u>	<u>3,344,381</u>
<b>Program Expenses</b>			
Instruction	37,099,744	32,296,050	(4,803,694)
Support Services			
Pupil	6,198,197	5,275,945	(922,252)
Instructional Staff	1,988,640	1,561,437	(427,203)
Board of Education	436,085	285,581	(150,504)
Administration	4,118,214	3,590,087	(528,127)
Fiscal	2,093,550	1,965,106	(128,444)
Business	809,981	352,369	(457,612)
Operation and Maintenance of Plant	7,647,809	5,915,422	(1,732,387)
Pupil Transportation	2,949,219	2,816,367	(132,852)
Central	2,130,840	1,860,076	(270,764)
Operation of Non-Instructional Services:			
Food Service Operations	1,884,864	1,946,680	61,816
Other Non-Instructional Services	415,010	327,756	(87,254)
Extracurricular Activities	1,381,865	1,252,007	(129,858)
Interest	152,413	161,168	8,755
<i>Total Program Expenses</i>	<u>69,306,431</u>	<u>59,606,051</u>	<u>(9,700,380)</u>
<i>Change in Net Position</i>	<u>10,109,524</u>	<u>16,465,523</u>	<u>(6,355,999)</u>
Net Position Beginning of Year	<u>(21,380,603)</u>	<u>(37,846,126)</u>	<u>16,465,523</u>
Net Position End of Year	<u>(\$11,271,079)</u>	<u>(\$21,380,603)</u>	<u>\$10,109,524</u>

**Governmental Activities**

Program revenues increased for governmental activities in fiscal year 2023. Charges for services increased due to higher tuition and extracurricular revenues as well as to higher customer sales related to food service. The increase in operating grants was due to higher ESSER funding. General revenues decreased in fiscal year 2023 but this decrease was largely offset by an increase in investment earnings/interest due to higher cash balances and more favorable rates of return on investments.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Program expenses increased significantly due to changes in the net pension and net OPEB liabilities and the associated deferred outflows and deferred inflows. Program expenses related to these liabilities were negative (\$8,386,853) in fiscal year 2022 versus a negative (\$1,787,226) in fiscal year 2023.

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 voter levy does not increase solely as a result of inflation. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920 (HB 920). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would be assessed \$35.00 annually in taxes. If three years later the home was appraised and increased to \$200,000 (and the inflationary increase in value is comparable to the other property owners), the effective tax rate would become .5 mills and the owner would still be assessed \$35.00 and the School District would collect the same dollar value the levy generated in the year it was passed.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up the largest percentage of revenue for governmental activities for the School District in fiscal year 2023.

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

**(Table 3)**  
 Governmental Activities

Programs	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Instruction	\$37,099,744	(\$32,366,711)	\$32,296,050	(\$27,679,567)
Support Services:				
Pupil and Instructional Staff	8,186,837	(6,635,202)	6,837,382	(5,510,441)
Board of Education, Administration, Fiscal and Business	7,457,830	(6,856,084)	6,193,143	(5,964,834)
Operation and Maintenance of Plant	7,647,809	(4,023,494)	5,915,422	(5,029,335)
Pupil Transportation	2,949,219	(2,455,599)	2,816,367	(2,459,305)
Central	2,130,840	(2,020,284)	1,860,076	(1,692,764)
Non-Instructional Services	2,299,874	(98,932)	2,274,436	112,565
Extracurricular Activities	1,381,865	(1,139,611)	1,252,007	(1,093,645)
Interest	152,413	(152,413)	161,168	(161,168)
Total Expenses	<u>\$69,306,431</u>	<u>(\$55,748,330)</u>	<u>\$59,606,051</u>	<u>(\$49,478,494)</u>

**The School District's Funds**

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, not including other financing sources, of \$83,092,191 and expenditures, not including other financing uses, of \$76,528,882. The total fund balance for the general fund increased in fiscal year 2023 due mainly to an increase in property tax revenue and an increase in investment earnings/interest. Property taxes increased due to higher assessed valuations on property. Investment earnings/interest increased due to a change in economic conditions. The elementary and secondary school emergency relief fund balance increased due to grant reimbursements received in 2023. The community as a whole is by far the primary support for the School District's students.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

---

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2023, the School District modified its general fund budget numerous times. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was higher than the original budget estimate mainly due to an increase in estimated property taxes as funding levels became more apparent.

For the general fund, final budget basis expenditures were lower than the original budget basis expenditures mainly due to decreases in instructional services expenditures, as a more accurate picture of the fiscal year was realized.

**Capital Assets**

Capital assets increased during fiscal year 2023 due to current year additions outpacing annual depreciation and current year deletions. Current year capital asset additions included construction in progress, various building improvements, equipment, vehicles, and intangible right to use equipment. Please see Note 10 for additional information.

**Debt**

Debt obligations outstanding as of June 30, 2023, included bonded tax anticipation notes and leases. The bonded tax anticipation notes were issued in fiscal year 2021 for school building improvements as well as to fully refund the 2019 tax anticipation notes. The leases are for copiers. Principal retirement during fiscal year 2023 totaled \$984,116. The School District's overall debt margin was \$74,958,781 with an unvoted debt margin of \$924,630 at June 30, 2023. For more information about the School District's debt obligations, see Note 15.

**Current Financial Related Activities**

The financial future and well-being of any School District is not without internal and external challenges. For the most part, both internal and external challenges are quite similar in most School Districts. In this School District, a primary internal challenge is student achievement and a primary external challenge is the over-reliance on local property taxes required to fund general operations.

Unfortunately, the School District, like many in Ohio, must rely heavily on its property tax payers for both residents and businesses to support its general operations. Approximately seventy-two percent of general fund revenue is received from property taxes paid by residents and business owners. Thankfully, the South Euclid-Lyndhurst community has been extremely supportive of the School District and has approved continuing operating levies in 1978, 1982, 1986, 1991, 1994, 1998, 2001, 2005, 2008, and again in 2012.

On March 17, 2020, the residents of the School District passed a 6.9 mill additional levy that allocates 5.9 mills for general operations and 1 mill for general permanent improvements throughout the School District. The levy is continuous and will generate approximately \$5.5 million annually. The School District began collecting on the levy in January 2021.

**South Euclid-Lyndhurst City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

---

---

**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 information, contact Joshua J. Hill, Treasurer of South Euclid-Lyndhurst City School District, 5044 Mayfield Road, Lyndhurst, Ohio 44124 or [hillj@sel.k12.oh.us](mailto:hillj@sel.k12.oh.us).



## **Basic Financial Statements**

**South Euclid-Lyndhurst City School District**

*Statement of Net Position*

*June 30, 2023*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$32,813,591
Accounts Receivable	10,574
Accrued Interest Receivable	19,923
Intergovernmental Receivable	1,813,926
Prepaid Items	83,060
Materials and Supplies Inventory	37,949
Inventory Held for Resale	7,114
Payments in Lieu of Taxes Receivable	166,818
Property Taxes Receivable	53,697,765
Net OPEB Asset (See Note 12)	5,343,619
Non-depreciable Capital Assets	2,818,308
Depreciable Capital Assets, Net	<u>27,962,479</u>
<i>Total Assets</i>	<u>124,775,126</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	59,226
Pension	14,055,180
OPEB	1,411,058
Asset Retirement Obligation	<u>12,600</u>
<i>Total Deferred Outflows of Resources</i>	<u>15,538,064</u>
<b>Liabilities</b>	
Accounts Payable	794,257
Contracts Payable	700,455
Accrued Wages and Benefits	5,448,660
Intergovernmental Payable	1,445,992
Matured Compensated Absences Payable	348,210
Unearned Revenue	9,124
Accrued Interest Payable	11,094
Long-Term Liabilities:	
Due Within One Year	2,761,452
Due In More Than One Year:	
Net Pension Liability (See Note 11)	61,800,993
Net OPEB Liability (See Note 12)	4,057,298
Other Amounts	<u>11,803,692</u>
<i>Total Liabilities</i>	<u>89,181,227</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	45,955,529
Payments in Lieu of Taxes	166,818
Pension	6,501,805
OPEB	<u>9,778,890</u>
<i>Total Deferred Inflows of Resources</i>	<u>62,403,042</u>
<b>Net Position</b>	
Net Investment in Capital Assets	21,794,884
Restricted for:	
Capital Outlay	2,662,038
Debt Service	1,645
OPEB Plans	990,992
Scholarships	41,379
Athletics	243,282
Auxiliary Services	33,515
Unclaimed Monies	8,429
Other Purposes	562,748
Unrestricted (Deficit)	<u>(37,609,991)</u>
<i>Total Net Position</i>	<u><u>(\$11,271,079)</u></u>

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2023*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
<b>Governmental Activities</b>				Governmental Activities
<b>Instruction:</b>				
Regular	\$25,280,964	\$714,818	\$2,367,469	(\$22,198,677)
Special	10,425,155	302,311	1,259,211	(8,863,633)
Vocational	1,393,625	44,670	44,554	(1,304,401)
<b>Support Services:</b>				
Pupil	6,198,197	183,412	499,008	(5,515,777)
Instructional Staff	1,988,640	37,659	831,556	(1,119,425)
Board of Education	436,085	13,412	0	(422,673)
Administration	4,118,214	127,814	109,865	(3,880,535)
Fiscal	2,093,550	67,858	0	(2,025,692)
Business	809,981	15,132	267,665	(527,184)
Operation and Maintenance of Plant	7,647,809	243,105	3,381,210	(4,023,494)
Pupil Transportation	2,949,219	87,621	405,999	(2,455,599)
Central	2,130,840	73,334	37,222	(2,020,284)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,884,864	355,142	1,419,659	(110,063)
Other Non-Instructional Services	415,010	135	426,006	11,131
<b>Extracurricular Activities</b>	1,381,865	207,892	34,362	(1,139,611)
<b>Interest</b>	152,413	0	0	(152,413)
<b>Totals</b>	<b>\$69,306,431</b>	<b>\$2,474,315</b>	<b>\$11,083,786</b>	<b>(55,748,330)</b>
 <b>General Revenues</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				49,265,991
Debt Service				1,099,851
Capital Projects				1,421,843
Grants and Entitlements not Restricted to Specific Programs				12,311,528
Unrestricted Contributions				4,575
Investment Earnings/Interest				1,024,745
Payments in Lieu of Taxes				190,730
Gain from Sale of Capital Assets				160,915
Miscellaneous				377,676
				<b>65,857,854</b>
<b>Total General Revenues</b>				<b>65,857,854</b>
<b>Change in Net Position</b>				<b>10,109,524</b>
<b>Net Position Beginning of Year</b>				<b>(21,380,603)</b>
<b>Net Position End of Year</b>				<b>(\$11,271,079)</b>

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2023*

	General	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$28,077,833	\$370,626	\$4,356,703	\$32,805,162
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	8,429	0	0	8,429
Accounts Receivable	5,074	0	5,500	10,574
Accrued Interest Receivable	19,923	0	0	19,923
Intergovernmental Receivable	866,618	335,576	611,732	1,813,926
Prepaid Items	78,077	0	4,983	83,060
Materials and Supplies Inventory	33,456	0	4,493	37,949
Inventory Held for Resale	0	0	7,114	7,114
Interfund Receivable	1,485,506	0	38,612	1,524,118
Payments in Lieu of Taxes Receivable	166,818	0	0	166,818
Property Taxes Receivable	51,082,705	0	2,615,060	53,697,765
<i>Total Assets</i>	<u>\$81,824,439</u>	<u>\$706,202</u>	<u>\$7,644,197</u>	<u>\$90,174,838</u>
<b>Liabilities</b>				
Accounts Payable	\$489,658	\$12,902	\$291,697	\$794,257
Contracts Payable	32,065	81,000	587,390	700,455
Accrued Wages and Benefits	5,046,357	170,602	231,701	5,448,660
Intergovernmental Payable	1,359,392	28,870	57,730	1,445,992
Matured Compensated Absences Payable	348,210	0	0	348,210
Unearned Revenue	0	0	9,124	9,124
Interfund Payable	0	412,828	1,111,290	1,524,118
<i>Total Liabilities</i>	<u>7,275,682</u>	<u>706,202</u>	<u>2,288,932</u>	<u>10,270,816</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	43,671,172	0	2,284,357	45,955,529
Payments in Lieu of Taxes	166,818	0	0	166,818
Unavailable Revenue	4,092,561	335,576	744,624	5,172,761
<i>Total Deferred Inflows of Resources</i>	<u>47,930,551</u>	<u>335,576</u>	<u>3,028,981</u>	<u>51,295,108</u>
<b>Fund Balances</b>				
Nonspendable	119,962	0	9,476	129,438
Restricted	0	0	3,003,596	3,003,596
Committed	518,069	0	1,466	519,535
Assigned	3,838,940	0	0	3,838,940
Unassigned (Deficit)	22,141,235	(335,576)	(688,254)	21,117,405
<i>Total Fund Balances (Deficit)</i>	<u>26,618,206</u>	<u>(335,576)</u>	<u>2,326,284</u>	<u>28,608,914</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$81,824,439</u>	<u>\$706,202</u>	<u>\$7,644,197</u>	<u>\$90,174,838</u>

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2023*

---

<b>Total Governmental Fund Balances</b>	\$28,608,914
---	--------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	30,780,787
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	3,403,629
Intergovernmental	1,113,043
Tuition and Fees	656,089
Total	5,172,761

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(11,094)
---	----------

The net pension liability and net OPEB asset (liability) are not due and payable in the current period; therefore, the asset (liability) and related deferred inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	5,343,619
Deferred Outflows - Pension	14,055,180
Deferred Outflows - OPEB	1,411,058
Net Pension Liability	(61,800,993)
Net OPEB Liability	(4,057,298)
Deferred Inflows - Pension	(6,501,805)
Deferred Inflows - OPEB	(9,778,890)
Total	(61,329,129)

Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	59,226
---	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonded Tax Anticipation Notes	(8,269,000)
Leases Payable	(146,019)
Compensated Absences	(4,840,125)
Special Termination Benefits	(1,220,000)
Deferred Outflow Asset Retirement	12,600
Asset Retirement Obligation	(90,000)
Total	(14,552,544)

<i>Net Position of Governmental Activities</i>	<u><u>(\$11,271,079)</u></u>
--	------------------------------

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$50,150,291	\$0	\$2,566,187	\$52,716,478
Intergovernmental	12,675,368	9,123,765	4,388,239	26,187,372
Investment Earnings/Interest	1,024,745	0	6,679	1,031,424
Tuition and Fees	1,922,684	0	4,797	1,927,481
Extracurricular Activities	731	0	178,744	179,475
Contributions and Donations	4,575	0	83,140	87,715
Charges for Services	28,623	0	356,142	384,765
Rentals	9,075	0	0	9,075
Payments in Lieu of Taxes	190,730	0	0	190,730
Miscellaneous	333,372	0	44,304	377,676
<i>Total Revenues</i>	<u>66,340,194</u>	<u>9,123,765</u>	<u>7,628,232</u>	<u>83,092,191</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	22,186,297	1,717,649	645,193	24,549,139
Special	9,804,013	0	932,360	10,736,373
Vocational	1,449,210	0	0	1,449,210
Support Services:				
Pupil	6,014,751	171,345	246,292	6,432,388
Instructional Staff	1,236,222	401,813	438,603	2,076,638
Board of Education	436,085	0	0	436,085
Administration	4,210,254	4,719	105,146	4,320,119
Fiscal	2,196,534	0	0	2,196,534
Business	563,333	267,665	0	830,998
Operation and Maintenance of Plant	7,618,699	3,377,742	1,297,325	12,293,766
Pupil Transportation	2,868,306	63,428	90,000	3,021,734
Central	2,374,111	19,962	17,165	2,411,238
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,898,701	1,898,701
Other Non-Instructional Services	4,396	5,483	404,280	414,159
Extracurricular Activities	811,937	3,000	424,123	1,239,060
Capital Outlay	0	0	1,094,154	1,094,154
Debt Service:				
Principal Retirement	25,116	0	959,000	984,116
Interest	3,619	0	140,851	144,470
<i>Total Expenditures</i>	<u>61,802,883</u>	<u>6,032,806</u>	<u>8,693,193</u>	<u>76,528,882</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,537,311</u>	<u>3,090,959</u>	<u>(1,064,961)</u>	<u>6,563,309</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	21,600	0	179,159	200,759
Transfers In	0	0	230,000	230,000
Transfers Out	(230,000)	0	0	(230,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(208,400)</u>	<u>0</u>	<u>409,159</u>	<u>200,759</u>
<i>Net Change in Fund Balances</i>	4,328,911	3,090,959	(655,802)	6,764,068
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>22,289,295</u>	<u>(3,426,535)</u>	<u>2,982,086</u>	<u>21,844,846</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$26,618,206</u>	<u>(\$335,576)</u>	<u>\$2,326,284</u>	<u>\$28,608,914</u>

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City 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*

---



---

**Net Change in Fund Balances - Total Governmental Funds** \$6,764,068

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

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

Capital Asset Additions	6,131,752	
Current Year Depreciation	(1,474,580)	
Total	4,657,172	4,657,172

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. (64,250)

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

Delinquent Property Taxes	(928,793)	
Intergovernmental	(2,881,877)	
Tuition and Fees	(26,481)	
Total	(3,837,151)	(3,837,151)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 984,116

Some expenses 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:

Accrued Interest	1,287	
Amortization of Loss on Refunding	(9,230)	
Total	(7,943)	(7,943)

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

Pension	5,356,444	
OPEB	138,950	
Total	5,495,394	5,495,394

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

Pension	(5,264,738)	
OPEB	1,556,570	
Total	(3,708,168)	(3,708,168)

Some expenses 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:

Compensated Absences	248,086	
Special Termination Benefits	(420,000)	
Asset Retirement Obligation	(1,800)	
Total	(173,714)	(173,714)

*Change in Net Position of Governmental Activities* \$10,109,524

The accompanying notes are an integral part of the basic financial statements

**South Euclid-Lyndhurst City 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	\$47,476,080	\$49,966,153	\$49,966,153	\$0
Intergovernmental	12,050,561	12,680,072	12,680,072	0
Interest	893,661	940,345	940,345	0
Tuition and Fees	1,817,544	1,912,491	1,912,491	0
Extracurricular Activities	550	579	579	0
Contributions and Donations	204	214	214	0
Charges for Services	27,202	28,623	28,623	0
Rentals	8,624	9,075	9,075	0
Payments in Lieu of Taxes	190,730	190,730	190,730	0
Miscellaneous	239,931	252,189	252,189	0
<i>Total Revenues</i>	<u>62,705,087</u>	<u>65,980,471</u>	<u>65,980,471</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	23,947,760	22,116,725	22,116,725	0
Special	10,774,544	10,067,357	10,067,357	0
Vocational	1,619,389	1,921,874	1,921,874	0
Support Services:				
Pupil	5,740,172	6,013,719	6,013,719	0
Instructional Staff	1,393,870	1,268,421	1,268,421	0
Board of Education	336,972	470,687	470,687	0
Administration	4,718,515	4,213,018	4,213,018	0
Fiscal	2,165,871	2,239,594	2,239,594	0
Business	424,930	507,634	507,634	0
Operation and Maintenance of Plant	7,151,977	7,807,851	7,807,851	0
Pupil Transportation	3,122,674	2,985,665	2,985,665	0
Central	2,408,973	2,608,664	2,608,664	0
Operation of Non-Instructional Services	4,653	4,396	4,396	0
Extracurricular Activities	804,713	815,531	815,531	0
Debt Service:				
Principal Retirement	25,116	25,116	25,116	0
Interest	3,619	3,619	3,619	0
<i>Total Expenditures</i>	<u>64,643,748</u>	<u>63,069,871</u>	<u>63,069,871</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,938,661)</u>	<u>2,910,600</u>	<u>2,910,600</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	21,600	21,600	21,600	0
Advances In	0	6,892,439	7,135,796	243,357
Advances Out	(300,000)	(1,024,366)	(1,485,506)	(461,140)
Transfers Out	(950,000)	(337,010)	(630,000)	(292,990)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,228,400)</u>	<u>5,552,663</u>	<u>5,041,890</u>	<u>(510,773)</u>
<i>Net Change in Fund Balance</i>	<u>(3,167,061)</u>	<u>8,463,263</u>	<u>7,952,490</u>	<u>(510,773)</u>
<i>Fund Balance Beginning of Year</i>	14,016,134	14,016,134	14,016,134	0
Prior Year Encumbrances Appropriated	2,057,644	2,057,644	2,057,644	0
<i>Fund Balance End of Year</i>	<u>\$12,906,717</u>	<u>\$24,537,041</u>	<u>\$24,026,268</u>	<u>(\$510,773)</u>

The accompanying notes are an integral part of the basic financial statements



**South Euclid-Lyndhurst City School District**  
*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Elementary and Secondary School Emergency Relief Fund  
For the Fiscal Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$7,654,979	\$9,123,765	\$9,123,765	\$0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,257,467	1,705,198	1,835,189	(129,991)
Support Services:				
Pupil	215,723	162,948	162,948	0
Instructional Staff	544,895	411,591	411,591	0
Administration	6,247	4,719	4,719	0
Business	354,355	267,665	267,665	0
Operation and Maintenance of Plant	4,798,080	3,624,272	3,624,272	0
Pupil Transportation	93,516	70,638	70,638	0
Central	87,590	66,162	66,162	0
Operation of Non-Instructional Services	7,259	5,483	5,483	0
Extracurricular Activities	3,971	3,000	3,000	0
<i>Total Expenditures</i>	8,369,103	6,321,676	6,451,667	(129,991)
<i>Excess of Revenues Over Expenditures</i>	(714,124)	2,802,089	2,672,098	(129,991)
<b>Other Financing Sources (Uses)</b>				
Advances In	0	26,408	412,828	386,420
Advances Out	0	0	(6,800,000)	(6,800,000)
<i>Total Other Financing Sources (Uses)</i>	0	26,408	(6,387,172)	(6,413,580)
<i>Net Change in Fund Balance</i>	(714,124)	2,828,497	(3,715,074)	(6,543,571)
<i>Fund Balance Beginning of Year</i>	133,636	133,636	133,636	0
Prior Year Encumbrances Appropriated	3,581,438	3,581,438	3,581,438	0
<i>Fund Balance End of Year</i>	\$3,000,950	\$6,543,571	\$0	(\$6,543,571)

The accompanying notes are an integral part of the basic financial statements

## South Euclid-Lyndhurst City School District

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

---

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

The South Euclid-Lyndhurst City School District (School District) is a body public and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is governed by a locally-elected five-member Board of Education (Board) and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's six instructional/support facilities which are staffed by 262 classified and 311 certificated personnel who provide services to 2,917 students and other community members.

#### *Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, boards, departments 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 services and student related activities of the School District.

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in two jointly governed organizations and two public entity pools. These organizations are Connect, Ohio Schools Council, Ohio School Boards Association Workers' Compensation Group Rating Program and Suburban Health Consortium. These organizations are presented in Notes 16 and 17 of the basic financial statements.

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

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

## South Euclid-Lyndhurst City School District

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

---

### ***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. 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 are 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 activity is self-financing or draws from the general revenues of the School District.

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

### ***Fund Accounting***

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

***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 following are the School District's major governmental funds:

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

## South Euclid-Lyndhurst City School District

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

---

***Elementary and Secondary School Emergency Relief Fund*** The elementary and secondary school emergency relief fund is used to account for and report restricted emergency COVID-19 pandemic relief grants to school districts for the coordination of preparedness and response efforts, training and professional development of staff, planning and coordination during long-term closure and purchasing technology for students.

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

### ***Measurement Focus***

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

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

### ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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

## South Euclid-Lyndhurst City School District

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

---

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, interest, tuition, grants, fees and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, asset retirement obligations and pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12, respectively.

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 governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

***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.

### ***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

## South Euclid-Lyndhurst City School District

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

---

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

### ***Budgetary Data***

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

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 was in effect at the time the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to fiscal year-end, the School District passed an amended appropriation measure which closely matched appropriations to expenditures plus encumbrances in the majority of categories.

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

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

During fiscal year 2023, investments were limited to STAR Ohio, Federated Hermes government obligations fund, commercial paper, U.S. treasury notes and negotiable certificates of deposit.

Except for STAR Ohio, commercial paper and the Federated Hermes government obligations, 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. The School District measures its investment in the federated hermes government obligations fund at the net asset value (NAV) per share provided by Federated Hermes Funds.

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

## South Euclid-Lyndhurst City School District

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

---

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

For the fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transactions 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 \$1,024,745 which includes \$141,914 assigned from other School District funds.

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

### ***Restricted Assets***

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

### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the fiscal year which 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 and donated and purchased food held for resale.

### ***Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net position but are not reported in the fund financial statements.

Capital assets (except for intangible right to use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate 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 \$1,000. The School District does not possess any infrastructure. Improvements are

## South Euclid-Lyndhurst City School District

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

capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and Improvements	15-40 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Intangible Right to Use - Equipment	6 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 shorter of the lease term or the useful life of the underlying asset.

### ***Leases Payable***

The School District serves as a lessee in two noncancellable leases 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.

### ***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.

### ***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.



## South Euclid-Lyndhurst City School District

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

---

**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 the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for administration, after school daycare program, athletics, workers compensation and to cover a gap between estimated revenue and appropriations in fiscal year 2024's operations.

**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.

### ***Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination 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 for employees after 10 years of current service with the School District.

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

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

## **South Euclid-Lyndhurst City School District**

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

---

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

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

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

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

### ***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 their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. 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 education management information systems, entry-year programs, school-net professional development and miscellaneous state and federal grant programs.

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

### ***Internal Activity***

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

## South Euclid-Lyndhurst City School District

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

### ***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.

### ***Unearned Revenue***

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

### **Note 3 – 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 below:

Fund Balances	General	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total
<b><i>Nonspendable:</i></b>				
Unclaimed Monies	\$8,429	\$0	\$0	\$8,429
Prepays	78,077	0	4,983	83,060
Materials and Supplies Inventory	33,456	0	4,493	37,949
Total Nonspendable	<u>119,962</u>	<u>0</u>	<u>9,476</u>	<u>129,438</u>
<b><i>Restricted for:</i></b>				
Food Service	0	0	212,298	212,298
Scholarships	0	0	41,379	41,379
Leadership/Intern Programs	0	0	170,361	170,361
Student Activities	0	0	90,601	90,601
Athletics	0	0	243,282	243,282
Auxiliary Services	0	0	33,515	33,515
Technology Improvements	0	0	43,477	43,477
Teacher Development	0	0	3,717	3,717
Student Wellness Programs	0	0	10,348	10,348
Capital Projects	0	0	2,141,879	2,141,879
Debt Service	0	0	12,739	12,739
Total Restricted	<u>0</u>	<u>0</u>	<u>3,003,596</u>	<u>3,003,596</u>
<b><i>Committed to:</i></b>				
Educational Service Center Services	54,357	0	0	54,357
Legal and Audit/Consulting Services	33,439	0	0	33,439
Student Services	102,772	0	0	102,772
Other Services	34,186	0	0	34,186
Capital Improvements	23,000	0	0	23,000
Termination Benefits	270,315	0	0	270,315
Other Purposes	0	0	1,466	1,466
Total Committed	<u>\$518,069</u>	<u>\$0</u>	<u>\$1,466</u>	<u>\$519,535</u>

## South Euclid-Lyndhurst City School District

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

Fund Balances	General	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total
<b><i>Assigned to:</i></b>				
Administration	\$55,382	\$0	\$0	\$55,382
After School Daycare Program	336	0	0	336
Athletics	368,354	0	0	368,354
Workers Compensation	1,663,226	0	0	1,663,226
Purchases on Order	663,304	0	0	663,304
Fiscal Year 2024 Operations	1,088,338	0	0	1,088,338
Total Assigned	3,838,940	0	0	3,838,940
<b><i>Unassigned (Deficit)</i></b>	22,141,235	(335,576)	(688,254)	21,117,405
<b><i>Total Fund Balances (Deficit)</i></b>	\$26,618,206	(\$335,576)	\$2,326,284	\$28,608,914

### Note 4 – Accountability and Compliance

#### *Accountability*

At June 30, 2023, the following funds have deficit balances:

<b>Major Fund:</b>	
Elementary and Secondary School Emergency Relief	\$335,576
<b>Other Governmental Funds:</b>	
Student Wellness and Success	177,454
Title VI-B	296,419
Title III	9,752
Title I	87,977
Title IV-A	58,112
Preschool Handicap Grant	15,399
Title II-A	39,819

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.

#### *Compliance*

The general fund and the elementary and secondary school emergency relief special revenue fund had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, contrary to Ohio Revised Code Section 5705.41(B).

## South Euclid-Lyndhurst City School District

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

### 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 for the general fund and major special revenue fund are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the public school support, workers compensation and termination benefits funds are classified to general fund for GAAP Reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund and the major special revenue fund:

<b>Net Change in Fund Balance</b>		
	<u>General</u>	<u>Elementary and Secondary School Emergency Relief</u>
GAAP Basis	\$4,328,911	\$3,090,959
Net Adjustment for Revenue Accruals	25,754	0
Advances In	7,135,796	412,828
Beginning Fair Value Adjustment for Investments	83,236	0
Ending Fair Value Adjustment for Investments	15,371	0
Net Adjustment for Expenditure Accruals	(490,938)	(48,235)
Perspective Difference:		
Public School Support	(31,228)	0
Workers Compensation	(42,337)	0
Termination Benefits	131,183	0
Advances Out	(1,485,506)	(6,800,000)
Encumbrances	<u>(1,717,752)</u>	<u>(370,626)</u>
Budget Basis	<u>\$7,952,490</u>	<u>(\$3,715,074)</u>

## South Euclid-Lyndhurst City School District

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

---

### **Note 6 – Deposits and Investments**

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

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

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

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

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

Interim monies 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;
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).

## South Euclid-Lyndhurst City School District

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

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.

### **Investments**

Investments are reported at fair value. 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 (NAV) per Share:				
STAR Ohio	\$18,853,136	Average 38.5 Days	AAAm	N/A
Federated Hermes Government Obligation:	863,511	Less Than One Year	AAAm	N/A
Total Net Asset Value per Share	<u>19,716,647</u>			
Amortized Cost:				
Commercial Paper	<u>4,118,380</u>	Less Than One Year	A-1 or A-1+	12.86%
Fair Value - Level Two Inputs:				
U.S. Treasury Notes	6,009,846	Less Than Two Years	N/A	18.77%
Negotiable Certificates of Deposit	1,467,480	Less Than One Year	N/A	N/A
Negotiable Certificates of Deposit	708,754	More Than One Year	N/A	N/A
Total Fair Value - Level Two Inputs	<u>8,186,080</u>			
Total	<u><u>\$32,021,107</u></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 above chart identifies the School District's recurring fair value measurements as of June 30, 2023. STAR Ohio and federated hermes government obligations funds are measured at net asset value per share. Commercial paper is measured at amortized cost. 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)

## South Euclid-Lyndhurst City School District

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

---

**Credit Risk** All investments of the School District carry a rating of AAAM, A-1+, or A-1 by Standard and Poor's, except for the negotiable certificates of deposit which are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District does not have an investment policy that addresses credit risk.

**Interest Rate Risk** The School District has no 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.

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

### **Note 7 – 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 property located in the School District. Real property tax revenues received in calendar year 2023 represent the collection 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 are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.



## South Euclid-Lyndhurst City School District

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

The amount available as an advance at June 30, 2023, was \$4,170,953 in the general fund and \$167,654 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2022, was \$3,986,815 in the general fund and \$160,252 in the permanent improvement capital projects fund.

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	\$897,710,090	97.58 %	\$900,517,590	97.39 %
Public Utility Personal	22,257,930	2.42	24,112,260	2.61
Total	<u>\$919,968,020</u>	<u>100.00 %</u>	<u>\$924,629,850</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$113.29		\$113.29	

### Note 8 – Receivables

Receivables at June 30, 2023, consisted of taxes, payments in lieu of taxes, accrued interest, accounts (tuition, charges for services and miscellaneous) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the intergovernmental receivables follows:

Governmental Activities	Amount
Prior Year State Foundation Adjustments	\$670,726
Elementary and Secondary School Emergency Relief Grant	335,576
Title VI-B Grant	333,468
School Employees Retirement System Refund	195,892
Title I Grant	125,025
Title IV-A Grant	78,600
Title II-A Grant	39,819
Preschool Handicap Grant	15,399
Title III Grant	9,752
State Breakfast and Lunch Subsidy	9,392
One Net Subsidy	277
Total Governmental Activities	<u>\$1,813,926</u>

### *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.

## South Euclid-Lyndhurst City School District

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

---

### **Note 9 – Risk Management**

#### ***Insurance***

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents in the amount of \$180,623,814.

Settled claims have not exceeded coverage within the last three years. There has not been a significant reduction in coverage from the prior years.

#### ***Employee Health Benefits***

For fiscal year 2023, the School District was a participant in the Suburban Health Consortium (the “Consortium”), a shared health risk pool (Note 17), to provide employee health, dental and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Orange City School District. The Treasurer of the Orange City School District pays monthly for the actual amount of claims processed, the stop-loss premium and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The School District provides vision coverage through VSP and is also subject to certain deductibles, co-pays and maximum benefits as outlined in the plan. In order for employees to be eligible to receive vision coverage they must work at least twenty hours or more for classified and at least half time for certified employees. Per the negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays the premium for an employee who has single coverage and the difference between the monthly family premium and the employee contribution for family coverage.

#### ***Workers’ Compensation***

For fiscal year 2023, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit 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 for 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 Sheakley Uniserve provides administration, cost control, and actuarial services to the GRP.

## South Euclid-Lyndhurst City School District

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

### Note 10 – 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
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,545,765	\$0	(\$18,244)	\$1,527,521
Construction in Progress	1,142,629	2,018,371	(1,870,213)	1,290,787
<i>Total Capital Assets, not being depreciated</i>	<u>2,688,394</u>	<u>2,018,371</u>	<u>(1,888,457)</u>	<u>2,818,308</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	46,541,818	5,327,302	0	51,869,120
Furniture and Equipment	9,854,195	451,082	0	10,305,277
Vehicles	3,631,188	205,210	(450,000)	3,386,398
Intangible Right to Use - Equipment**	176,946	0	(6,034)	170,912
<i>Total Capital Assets, being depreciated</i>	<u>60,204,147</u>	<u>5,983,594</u>	<u>(456,034)</u>	<u>65,731,707</u>
<i>Less Accumulated Depreciation/Amortization:</i>				
Buildings and Improvements	(25,841,121)	(929,629)	0	(26,770,750)
Furniture and Equipment	(8,478,612)	(258,416)	0	(8,737,028)
Vehicles	(2,365,672)	(258,050)	405,000	(2,218,722)
Intangible Right to Use - Equipment**	(19,271)	(28,485)	5,028	(42,728)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(36,704,676)</u>	<u>(1,474,580) *</u>	<u>410,028</u>	<u>(37,769,228)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>23,499,471</u>	<u>4,509,014</u>	<u>(46,006)</u>	<u>27,962,479</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$26,187,865</u>	<u>\$6,527,385</u>	<u>(\$1,934,463)</u>	<u>\$30,780,787</u>

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

Instruction:	
Regular	\$821,286
Special	649
Vocational	6,892
Support Services:	
Pupil	4,751
Instructional Staff	11,441
Administration	12,383
Fiscal	2,000
Business	5,597
Operation and Maintenance of Plant	147,074
Pupil Transportation	239,407
Central	10,232
Operation of Non-Instructional Services:	
Food Service Operations	51,346
Other Non-Instructional Services	851
Extracurricular Activities	160,671
<b>Total Depreciation/Amortization Expense</b>	<u>\$1,474,580</u>

## South Euclid-Lyndhurst City School District

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

---

\*\* Of the current year depreciation/amortization total of \$1,474,580, \$28,485 is presented as regular instruction expense on the Statement of Activities related to the School District's intangible assets of copiers, which is included as an Intangible Right to Use Lease.

### Note 11 – Defined Benefit Pension Plans

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

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

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

**South Euclid-Lyndhurst City School District**

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

***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.

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 \$1,499,044 for fiscal year 2023. Of this amount \$23,183 is reported as an intergovernmental payable.

## South Euclid-Lyndhurst City School District

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

---

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

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

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

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

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS

## South Euclid-Lyndhurst City School District

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

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 \$3,857,400 for fiscal year 2023. Of this amount \$600,927 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.29442100%	0.20637047%	
Prior Measurement Date	<u>0.28822290%</u>	<u>0.20663498%</u>	
Change in Proportionate Share	<u>0.00619810%</u>	<u>-0.00026451%</u>	
Proportionate Share of the Net			
Pension Liability	\$15,924,578	\$45,876,415	\$61,800,993
Pension Expense	\$629,310	\$4,635,428	\$5,264,738

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

## South Euclid-Lyndhurst City School District

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$644,958	\$587,277	\$1,232,235
Changes of assumptions	157,131	5,490,028	5,647,159
Net difference between projected and actual earnings on pension plan investments	0	1,596,399	1,596,399
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	222,943	0	222,943
School District contributions subsequent to the measurement date	1,499,044	3,857,400	5,356,444
Total Deferred Outflows of Resources	\$2,524,076	\$11,531,104	\$14,055,180
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$104,541	\$175,492	\$280,033
Changes of assumptions	0	4,132,413	4,132,413
Net difference between projected and actual earnings on pension plan investments	555,695	0	555,695
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	147,798	1,385,866	1,533,664
Total Deferred Inflows of Resources	\$808,034	\$5,693,771	\$6,501,805

\$5,356,444 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	\$31,221	(\$382,361)	(\$351,140)
2025	56,124	(648,214)	(592,090)
2026	(793,821)	(1,642,105)	(2,435,926)
2027	923,474	4,652,613	5,576,087
Total	\$216,998	\$1,979,933	\$2,196,931

### ***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.



## South Euclid-Lyndhurst City School District

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

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

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

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

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

## South Euclid-Lyndhurst City School District

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

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$23,440,218	\$15,924,578	\$9,592,753

### **Actuarial Assumptions – STRS**

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

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

## South Euclid-Lyndhurst City School District

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

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

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

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

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

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

\* Target allocation percentage is effective July 1, 2022.

Target weights were phased in over a 3 month period concluding on October 1, 2022

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

**South Euclid-Lyndhurst City School District**

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

**Discount Rate** The discount rate used to measure the total 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	\$69,302,563	\$45,876,415	\$26,065,148

**Note 12 – Defined Benefit OPEB Plans**

See Note 11 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.

## South Euclid-Lyndhurst City School District

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

---

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 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 \$138,950.

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 \$138,950 for fiscal year 2023. Of this amount \$138,950 is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' 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:

## South Euclid-Lyndhurst City School District

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.28897920%	0.20637047%	
Prior Measurement Date	<u>0.27747440%</u>	<u>0.20663498%</u>	
Change in Proportionate Share	<u>0.01150480%</u>	<u>-0.00026451%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$4,057,298	\$0	\$4,057,298
Net OPEB (Asset)	\$0	(\$5,343,619)	(\$5,343,619)
OPEB Expense	(\$464,954)	(\$1,091,616)	(\$1,556,570)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$34,107	\$77,464	\$111,571
Changes of assumptions	645,365	227,621	872,986
Net difference between projected and actual earnings on OPEB plan investments	21,087	93,019	114,106
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	171,880	1,565	173,445
School District contributions subsequent to the measurement date	<u>138,950</u>	<u>0</u>	<u>138,950</u>
Total Deferred Outflows of Resources	<u>\$1,011,389</u>	<u>\$399,669</u>	<u>\$1,411,058</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$2,595,345	\$802,509	\$3,397,854
Changes of assumptions	1,665,550	3,789,139	5,454,689
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>765,699</u>	<u>160,648</u>	<u>926,347</u>
Total Deferred Inflows of Resources	<u>\$5,026,594</u>	<u>\$4,752,296</u>	<u>\$9,778,890</u>

\$138,950 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the 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:

## South Euclid-Lyndhurst City School District

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

---

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$1,003,806)	(\$1,354,267)	(\$2,358,073)
2025	(993,147)	(1,239,637)	(2,232,784)
2026	(858,828)	(573,844)	(1,432,672)
2027	(546,251)	(239,623)	(785,874)
2028	(327,032)	(312,816)	(639,848)
Thereafter	<u>(425,091)</u>	<u>(632,440)</u>	<u>(1,057,531)</u>
Total	<u>(\$4,154,155)</u>	<u>(\$4,352,627)</u>	<u>(\$8,506,782)</u>

### ***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

## South Euclid-Lyndhurst City School District

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

---

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

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

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

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



## South Euclid-Lyndhurst City School District

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

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 11.

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

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$5,039,225	\$4,057,298	\$3,264,616
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$3,128,905	\$4,057,298	\$5,269,930

### ***Actuarial Assumptions – STRS***

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

**South Euclid-Lyndhurst City School District**

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**South Euclid-Lyndhurst City School District**

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

**Discount Rate** The discount rate used to measure the total OPEB liability 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.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net OPEB (asset)	(\$4,940,034)	(\$5,343,619)	(\$5,689,322)

  

	1% Decrease <u></u>	Current Trend Rate <u></u>	1% Increase <u></u>
School District's proportionate share of the net OPEB (asset)	(\$5,542,632)	(\$5,343,619)	(\$5,092,412)

**Note 13 – Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees whose established contractual year is 240 days or more earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 to 30 days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Employee sick leave may be accumulated to a maximum number of days, classified employees, teachers and administrators have an unlimited number of days. Upon retirement, employees receive payment for a percentage of their total sick leave accumulation, up to a maximum number of days. Classified employees receive 30 percent of their total sick leave accumulation to a maximum of 75 days, teachers receive 30 percent of their total sick leave accumulation to a maximum of 80 days, and administrators receive 30 percent of their total sick leave to a maximum of 90 days.

**South Euclid-Lyndhurst City School District**

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

---

***Early Retirement Incentive***

The School District negotiated an early retirement incentive for eligible certified employees who submit an irrevocable notice of resignation for retirement from the State Teachers Retirement System on or before March 2023 to take effect on or before July 1, 2023 and who are not seeking reemployment with the School District. The incentive amount is \$60,000 per eligible employee to be made in three equal payments in January of the first, second and third consecutive year after retirement. There was a liability of \$1,220,000 as of June 30, 2023 for this plan.

***Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees administered by Anthem through the Suburban Health Consortium, in the amount of \$60,000 for all certified employees, \$50,000 for classified employees, and \$135,000 for administrators.

**Note 14 – 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2022	\$0
Current Year Set-Aside Requirement	684,029
Current Year Offsets	(2,800,281)
Qualifying Disbursements	<u>(1,715,683)</u>
Totals	<u><u>(\$3,831,935)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-Aside Balance as of June 30, 2023	<u><u>\$0</u></u>

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

## South Euclid-Lyndhurst City School District

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

### Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	(Reductions)	Principal Outstanding 6/30/23	Amount Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Debt:</b>					
2021 Bonded Refunding					
Tax Anticipation Notes (1.6%):					
Term Notes	\$8,503,000	\$0	(\$959,000)	\$7,544,000	\$975,000
2021 Bonded School Improvement					
Tax Anticipation Notes (1.6%):					
Term Notes	725,000	0	0	725,000	0
<i>Total General Obligation Debt</i>	<u>9,228,000</u>	<u>0</u>	<u>(959,000)</u>	<u>8,269,000</u>	<u>975,000</u>
<b>Other Long-term Obligations:</b>					
Net Pension Liability					
SERS	10,634,590	5,289,988	0	15,924,578	0
STRS	26,420,140	19,456,275	0	45,876,415	0
<i>Total Net Pension Liability</i>	<u>37,054,730</u>	<u>24,746,263</u>	<u>0</u>	<u>61,800,993</u>	<u>0</u>
Net OPEB Liability					
SERS	5,251,430	0	(1,194,132)	4,057,298	0
Leases Payable	171,135	0	(25,116)	146,019	31,855
Compensated Absences	5,088,211	260,518	(508,604)	4,840,125	1,214,597
Special Termination Benefits	800,000	780,000	(360,000)	1,220,000	540,000
Asset Retirement Obligation	90,000	0	0	90,000	0
<i>Total Other Long-term Obligations</i>	<u>48,455,506</u>	<u>25,786,781</u>	<u>(2,087,852)</u>	<u>72,154,435</u>	<u>1,786,452</u>
<b>Total Governmental Activities</b>	<u>\$57,683,506</u>	<u>\$25,786,781</u>	<u>(\$3,046,852)</u>	<u>\$80,423,435</u>	<u>\$2,761,452</u>

All bonded tax anticipation notes will be paid from property taxes. The leases and special termination benefits will be paid out of the general fund. Compensated absences will be paid from the general fund and the food service, Title VI-B and Title I special revenue funds. The asset retirement obligation will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from following funds: general, food service, Title VI-B and Title I. For additional information related to the net pension and net OPEB liabilities see Notes 11 and 12.

On March 30, 2021, the School District issued \$9,525,000 in bonded tax anticipation notes. Of this total, \$8,800,000 was used to fully refund the 2019 tax anticipation notes. The remaining \$725,000 was for renovations and improvements to school buildings. The bonded tax anticipation notes are term notes that were issued for a ten year period with a maturity at December 1, 2030. The notes will be retired from the debt service fund.

## South Euclid-Lyndhurst City School District

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

The term notes are being repaid through annual debt service repayments through fiscal year 2031. The term notes maturing on December 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Fiscal Year	Issue
	\$9,525,000
2024	\$975,000
2025	991,000
2026	1,007,000
2027	1,024,000
2028	1,041,000
2029	1,059,000
2030	1,077,000
Total Mandatory Sinking Fund Payments	7,174,000
Amount Due at Stated Maturity	1,095,000
Total	\$8,269,000
<i>Stated Maturity</i>	<i>12/1/2030</i>

The School District's overall debt margin was \$74,958,781 with an unvoted debt margin of \$924,630 at June 30, 2023. Principal and interest requirements to retire the general obligation debt are as follows:

Fiscal Year	Term	
	Principal	Interest
2024	\$975,000	\$125,282
2025	991,000	109,456
2026	1,007,000	93,372
2027	1,024,000	77,022
2028	1,041,000	60,399
2029 - 2031	3,231,000	78,608
Total	\$8,269,000	\$544,139

The School District has outstanding agreements to lease copiers. The future lease payments were discounted based on the interest rate implicit in the leases. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Leases	
	Principal	Interest
2024	\$31,855	\$6,159
2025	33,341	4,672
2026	34,899	3,115
2027	36,528	1,485
2028	9,396	108
	\$146,019	\$15,539

## **South Euclid-Lyndhurst City School District**

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

---

### **Note 16 – Jointly Governed Organizations**

#### ***Connect***

Connect is a jointly governed computer service bureau owned and operated by thirteen public school districts. Connect was formed when the Lakeshore Northeast Ohio Computer Consortium and the Lake Erie Educational Computer Association merged during fiscal year 2012. The primary function of Connect is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Connect is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). Connect's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Connect's current membership includes the Educational Service Center of Cuyahoga County and thirteen school districts in Cuyahoga County. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of Connect. Each school district supports Connect based upon a per pupil charge dependent upon the software packages used. In fiscal year 2023, the School District paid \$97,309 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

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

The Ohio Schools Council (Council) is a jointly governed organization among 247 school districts. 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, which is the legislative body of the Council. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly 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 \$6,950 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly known as Compass Energy) serves as the supplier and program manager. There are currently 165 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

## South Euclid-Lyndhurst City School District

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

---

### **Note 17 – Public Entity Pools**

#### ***Insurance Purchasing Pool***

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

#### ***Shared Risk Pool***

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 coverage 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 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 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 set 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



## South Euclid-Lyndhurst City School District

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

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 18 – Contingencies

#### *Grants*

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

#### *School Foundation*

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2023 foundation funding for the School District. These adjustments were insignificant for the School District.

#### *Litigation*

The School District is a party to legal proceedings seeking damages as of June 30, 2023. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

### Note 19 – Interfund Balances and Transfers

#### *Interfund Balances*

Interfund balances at June 30, 2023, consisted of the following:

Interfund Payable	Interfund Receivable		Total
	General	Other Governmental Funds	
<i>Major Fund:</i>			
Elementary and Secondary School Emergency Relief	\$412,828	\$0	\$412,828
<i>Other Governmental Funds:</i>			
Total All Funds	\$1,485,506	\$38,612	\$1,524,118

## South Euclid-Lyndhurst City School District

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

Interfund receivables/payables of \$1,485,506 between the general fund and the elementary and secondary school emergency relief special revenue fund and the other governmental funds are due to the timing of the receipt of grant monies. The general fund provides temporary funding of the programs until the grant dollars are received. Interfund receivables/payables of \$38,612 between the miscellaneous federal grants special revenue fund and title IV-A special revenue fund are related to expenditure charge-backs.

### **Interfund Transfers**

The general fund transferred \$230,000 to other governmental funds to help provide funding for fiscal year 2023.

## **Note 20 – Significant Commitments**

### **Contractual Commitments**

The School District had the following contractual commitments outstanding at June 30, 2023:

Vendor	Contract Amount	Amount Paid	Remaining on Contract
All Ways Construction, LLC	\$131,531	\$0	\$131,531
Capital Aluminum and Glass	1,185,400	1,030,600	154,800
D & D Lock Service	417,930	137,205	280,725
Daktronics, Incorporated	160,832	70,035	90,797
Duro Last Roofing, Incorporated	248,832	0	248,832
Trane U.S. Incorporated	144,810	0	144,810
Total	<u>\$2,289,335</u>	<u>\$1,237,840</u>	<u>\$1,051,495</u>

All of the remaining contract amounts were encumbered at fiscal year-end. The amount of \$630,110 in contracts payable have been capitalized.

### **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	\$1,717,752
Elementary and Secondary School Emergency Relief	370,626
Other Governmental Funds	<u>1,851,247</u>
Total	<u>\$3,939,625</u>

## **Note 21 – Asset Retirement Obligations**

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.

## South Euclid-Lyndhurst City School District

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

---

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 \$90,000 associated with the School District’s underground storage tanks was estimated by the School District. The remaining useful life of these USTs is from 14 years. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

### **Note 22 – Change in Accounting Principle**

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). These changes were incorporated in the School District’s 2023 financial statements. The School District did not have any long-term contracts that met the GASB 96 definition of a SBITA.

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

### **Note 23 – COVID-19**

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

*(This Page Intentionally Left Blank.)*

---

## Required Supplementary Information

---

**South Euclid-Lyndhurst City 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	0.29442100%	0.28822290%	0.29864450%
School District's Proportionate Share of the Net Pension Liability	\$15,924,578	\$10,634,590	\$19,752,976
School District's Covered Payroll	\$10,945,429	\$9,928,393	\$10,541,493
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.49%	107.11%	187.38%
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
0.30248090%	0.31397790%	0.31342150%	0.32784280%	0.32455690%	0.33065500%	0.33065500%
\$18,097,962	\$17,982,095	\$18,726,242	\$23,995,067	\$18,519,531	\$16,734,261	\$19,662,992
\$10,375,193	\$10,239,911	\$10,266,193	\$10,235,579	\$9,797,679	\$9,266,886	\$9,206,344
174.43%	175.61%	182.41%	234.43%	189.02%	180.58%	213.58%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

**South Euclid-Lyndhurst City 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	0.28897920%	0.27747440%	0.29238670%
School District's Proportionate Share of the Net OPEB Liability	\$4,057,298	\$5,251,430	\$6,354,520
School District's Covered Payroll	\$10,945,429	\$9,928,393	\$10,541,493
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.07%	52.89%	60.28%
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 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
0.30083850%	0.31375710%	0.31127180%	0.32918440%
\$7,565,456	\$8,704,469	\$8,353,717	\$9,382,973
\$10,375,193	\$10,239,911	\$10,266,193	\$10,235,579
72.92%	85.01%	81.37%	91.67%
15.57%	13.57%	12.46%	11.49%

**South Euclid-Lyndhurst City 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	0.20637047%	0.20663498%	0.21324834%
School District's Proportionate Share of the Net Pension Liability	\$45,876,415	\$26,420,140	\$51,598,511
School District's Covered Payroll	\$26,937,686	\$25,475,571	\$25,778,993
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.31%	103.71%	200.16%
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
0.21534194%	0.21487031%	0.21991715%	0.23247905%	0.23351627%	0.23737313%	0.23737313%
\$47,621,576	\$47,245,157	\$52,241,792	\$77,817,744	\$64,537,067	\$57,737,359	\$68,776,366
\$25,373,564	\$24,459,029	\$24,149,457	\$24,446,664	\$24,376,636	\$24,413,454	\$23,824,092
187.68%	193.16%	216.33%	318.32%	264.75%	236.50%	288.68%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

**South Euclid-Lyndhurst City 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	0.20637047%	0.20663498%	0.21324834%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$5,343,619)	(\$4,356,730)	(\$3,747,836)
School District's Covered Payroll	\$26,937,686	\$25,475,571	\$25,778,993
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-19.84%	-17.10%	-14.54%
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 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
0.21534194%	0.21487031%	0.21991715%	0.23247905%
(\$3,566,579)	(\$3,452,746)	\$8,580,356	\$12,433,040
\$25,373,564	\$24,459,029	\$24,149,457	\$24,446,664
-14.06%	-14.12%	35.53%	50.86%
174.70%	176.00%	47.10%	37.30%

**South Euclid-Lyndhurst City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Net Pension Liability</b>			
Contractually Required Contribution	\$1,499,044	\$1,532,360	\$1,389,975
Contributions in Relation to the Contractually Required Contribution	<u>(1,499,044)</u>	<u>(1,532,360)</u>	<u>(1,389,975)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$10,707,457	\$10,945,429	\$9,928,393
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>			
Contractually Required Contribution (2)	\$138,950	\$126,991	\$87,196
Contributions in Relation to the Contractually Required Contribution	<u>(138,950)</u>	<u>(126,991)</u>	<u>(87,196)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.30%</u>	<u>1.16%</u>	<u>0.88%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.30%</u>	<u>15.16%</u>	<u>14.88%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015	2014
\$1,475,809	\$1,400,651	\$1,382,388	\$1,437,267	\$1,432,981	\$1,291,334	\$1,284,390
<u>(1,475,809)</u>	<u>(1,400,651)</u>	<u>(1,382,388)</u>	<u>(1,437,267)</u>	<u>(1,432,981)</u>	<u>(1,291,334)</u>	<u>(1,284,390)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,541,493	\$10,375,193	\$10,239,911	\$10,266,193	\$10,235,579	\$9,797,679	\$9,266,886
<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>
\$104,988	\$192,640	\$199,505	\$138,296	\$153,490	\$207,021	\$139,535
<u>(104,988)</u>	<u>(192,640)</u>	<u>(199,505)</u>	<u>(138,296)</u>	<u>(153,490)</u>	<u>(207,021)</u>	<u>(139,535)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.86%</u>	<u>1.95%</u>	<u>1.35%</u>	<u>1.50%</u>	<u>2.11%</u>	<u>1.51%</u>
<u>15.00%</u>	<u>15.36%</u>	<u>15.45%</u>	<u>15.35%</u>	<u>15.50%</u>	<u>15.29%</u>	<u>15.37%</u>

**South Euclid-Lyndhurst City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Net Pension Liability</b>			
Contractually Required Contribution	\$3,857,400	\$3,771,276	\$3,566,580
Contributions in Relation to the Contractually Required Contribution	<u>(3,857,400)</u>	<u>(3,771,276)</u>	<u>(3,566,580)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$27,552,857	\$26,937,686	\$25,475,571
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>			
Contractually Required Contribution	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<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>
Total Contributions as a Percentage of Covered Payroll	<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



2020	2019	2018	2017	2016	2015	2014
\$3,609,059	\$3,552,299	\$3,424,264	\$3,380,924	\$3,422,533	\$3,412,729	\$3,173,749
(3,609,059)	(3,552,299)	(3,424,264)	(3,380,924)	(3,422,533)	(3,412,729)	(3,173,749)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$25,778,993	\$25,373,564	\$24,459,029	\$24,149,457	\$24,446,664	\$24,376,636	\$24,413,454
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
\$0	\$0	\$0	\$0	\$0	\$0	\$244,135
0	0	0	0	0	0	(244,135)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

## South Euclid Lyndhurst City School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2023

### Net Pension Liability

#### Changes in Assumptions – SERS

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

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

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

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

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

#### Changes in Assumptions - STRS

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

## South Euclid Lyndhurst City School District, Ohio

### *Notes to 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.

#### **Net OPEB Liability**

#### **Changes in Assumptions – SERS**

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

**South Euclid Lyndhurst City School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

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

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

Municipal Bond Index Rate:

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

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

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

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.)

## South Euclid Lyndhurst City School District, Ohio

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2023*

---

### **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.

*(This Page Intentionally Left Blank.)*

**SOUTH EUCLID - LYNDHURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 290,607
National School Lunch Program	10.555	N/A	885,780
COVID-19 National School Lunch Program	10.555	N/A	81,312
National School Lunch Program - Non-Cash	10.555	N/A	141,016
Total Child Nutrition Cluster			<u>1,398,715</u>
Total U.S. Department of Agriculture			<u>1,398,715</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies - 2022	84.010A	N/A	108,916
Title I Grants to Local Educational Agencies - 2023	84.010A	N/A	977,839
Total Title I Grants to Local Educational Agencies			<u>1,086,755</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B) - 2022	84.027A	N/A	95,237
Special Education - Grants to States (IDEA, Part B) - 2023	84.027A	N/A	938,258
COVID-19 Special Education - Grants to States (ARP IDEA, Part B)	84.027X	N/A	44,481
Total Special Education - Grants to States (IDEA, Part B)			<u>1,077,976</u>
Special Education - Preschool Grants (IDEA Preschool) - 2022	84.173A	N/A	1,181
Total Special Education Cluster (IDEA)			<u>1,079,157</u>
English Language Acquisition State Grants - 2023	84.365A	N/A	9,978
Title II, Part A, Supporting Effective Instruction State Grants - 2022	84.367A	N/A	790
Title II, Part A, Supporting Effective Instruction State Grants - 2023	84.367A	N/A	201,837
Total Title II, Part A, Supporting Effective Instruction State Grants			<u>202,627</u>
Student Support and Academic Enrichment Program - 2022	84.424A	N/A	4,752
Student Support and Academic Enrichment Program - 2023	84.424A	N/A	76,100
Total Student Support and Academic Enrichment Program			<u>80,852</u>
COVID-19 Elementary and Secondary Emergency Relief Fund - 2021	84.425D	N/A	145,799
COVID-19 Elementary and Secondary Emergency Relief Fund - 2022	84.425D	N/A	990,612
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U		4,939,689
Total COVID-19 Elementary and Secondary Emergency Relief Fund			<u>6,076,100</u>
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	N/A	4,941
Total U.S. Department of Education			<u>8,540,410</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,939,125</u>

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

**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT  
CUYAHGA 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 South Euclid-Lyndhurst City 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 or changes in net position of the District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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



**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt.</u> <u>Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 391,813
Special Education - Grants to States	84.027	\$ 285,737
Special Education- PreSchool Grants	84.173	\$ 38,432
English Language Acquisition Grants	84.365	\$ 646
Title II, A, Supporting Effective Instruction- State Grants	84.367	\$ 73,602
Student Support and Academic Enrichment Program	84.424	\$ 40,821
ARP ESSER- Homeless Youth	84.425W	\$ 19,143

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



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

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

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

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, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City 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 February 8, 2024.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes 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.

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

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

February 8, 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 EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

South Euclid-Lyndhurst City School District  
Cuyahoga County  
5044 Mayfield Road  
Lyndhurst, Ohio 44124

To the Board of Education:

### Report on Compliance for Each Major Federal Program

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

We have audited South Euclid-Lyndhurst City 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 South Euclid-Lyndhurst City School District's major federal programs for the year ended June 30, 2023. The South Euclid-Lyndhurst City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the South Euclid-Lyndhurst City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each 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 each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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

February 8, 2024

**This page intentionally left blank.**



**SOUTH EUCLID-LYNDBURST CITY 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 Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	AL # 84.425 - Education Stabilization Fund  AL # 84.010 - Title I Grants To Local Educational Agencies
<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

**This page intentionally left blank.**

Linda N. Reid  
Superintendent of Schools



Joshua J. Hill  
Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2023**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2022-001	District did not provide evidence of review of prevailing wage reports related to contracts paid with Education Stabilization Funds	Fully Corrected	None

  
\_\_\_\_\_  
Joshua J. Hill, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**SOUTH EUCLID-LYNDBURST CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/22/2024**

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)