



OHIO AUDITOR OF STATE
KEITH FABER



**NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
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	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances Budget Basis (Non-GAAP) and Actual – General Fund.....	21
Statement of Fund Net Position – Internal Service Fund.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Fund	23
Statement of Cash Flows – Internal Service Fund.....	24
Statement of Fiduciary Net Position – Custodial Fund	25
Statement of Changes in Fiduciary Net Position - Custodial Fund.....	26
Notes to the Basic Financial Statements	27
Required Supplementary Information:	
Schedules of the School District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio.....	72
State Teachers Retirement System of Ohio	74

**NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedules of the School District's Contributions - Pension:	
School Employees Retirement System of Ohio	76
State Teachers Retirement System of Ohio	78
Schedules of the School District's Proportionate Share of the Net OPEB Liability/(Asset):	
School Employees Retirement System of Ohio	80
State Teachers Retirement System of Ohio	82
Schedules of the School District's Contributions - OPEB:	
School Employees Retirement System of Ohio	84
State Teachers Retirement System of Ohio	86
Notes to the Required Supplementary Information.....	88
Schedule of Expenditures of Federal Awards.....	93
Notes to the Schedule of Expenditures of Federal Awards	94
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	95
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.....	97
Schedule of Findings.....	101

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

North Ridgeville City School District
Lorain County
34620 Bainbridge Road
North Ridgeville, Ohio 44039

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of North Ridgeville City School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of North Ridgeville City School District, Lorain County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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 6, 2023, 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 6, 2023

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NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The management discussion and analysis of North Ridgeville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position of governmental activities increased \$ 3,739,792
- General revenues accounted for \$ 51,172,219 revenue or 84.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$ 9,633,770 or 15.8% of total revenues of \$ 60,805,989.
- The School District had \$ 57,066,197 in expenses related to governmental activities; only \$ 9,633,770 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) amounted to \$ 51,172,219. Total revenues were \$ 3,739,792 more than total expenses.
- At the close of the current fiscal year, the School District's governmental funds reported combined fund balances of \$ 31,546,364, an increase of \$ 229,534 in comparison with the prior year. Approximately, 61.7% of fund balance, \$ 19,461,516 is available for spending at the School District's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 19,666,872 or 40.3% of total General Fund expenditures.
- The School District's total outstanding long-term liabilities decreased \$ 28,406,369 to \$ 92,768,269 primarily due to decreases in net pension and OPEB liabilities.

Overview of Financial statements

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

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2022?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

The Statement of Net Position and the Statement of Activities include the School District's programs and services, including instruction, support services, food service operation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial statements 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 fund is the General Fund.

Governmental Funds

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2022 compared to 2021:

TABLE I
Total Net Position

	2022	2021
Assets		
Current and other assets	\$ 71,633,275	\$ 67,261,496
Noncurrent assets	3,675,472	3,012,563
Total capital assets, net	61,920,454	63,010,487
Total assets	137,229,201	133,284,546
Deferred outflows of resources		
Deferred charge on refunding	2,997,495	3,363,176
Pension	13,988,165	12,674,007
OPEB	1,948,755	2,419,318
Total deferred outflows of resources	18,934,415	18,456,501
Liabilities		
Current liabilities	7,637,547	8,456,335
Long term liabilities		
Due within one year	678,204	1,444,113
Due in more than one year		
Net pension liability	29,578,303	55,240,474
Net OPEB liability	3,843,930	4,593,749
Other amounts	58,667,832	59,896,302
Total liabilities	100,405,816	129,630,973
Deferred inflows of resources		
Property taxes	30,566,101	25,991,735
Deferred charge on refunding	1,218,845	-
Pension	23,696,477	265,208
OPEB	6,596,895	5,913,441
Total deferred inflows of resources	62,078,318	32,170,384
Net position		
Net investment in capital assets	7,817,473	7,893,522
Restricted	12,035,683	11,138,223
Unrestricted	(26,173,674)	(29,092,055)
Total net position	\$ (6,320,518)	\$ (10,060,310)

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The net pension and OPEB liability are the largest liabilities reported by the School District at June 30, 2022 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset, deferred outflows related to pension and OPEB.

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

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

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

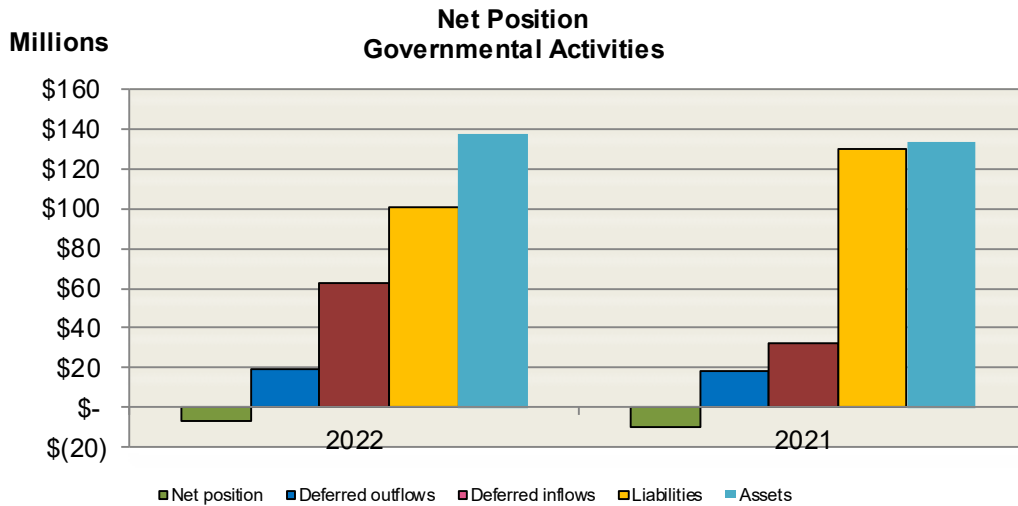
GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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.

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

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

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



Governmental Activities

Net position of the School District's governmental activities increased \$ 3,739,792. Total governmental expenses of \$ 57,066,197 were offset by program revenues of \$ 9,633,770 and general revenues of \$ 51,172,219. Program revenues supported 16.9% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 91.5% of total governmental revenue. Total expenses decreased by \$ 3,538,245 due to the effects of GASB 68 and GASB 75.

Table 2 summarizes the revenues, expenses and the changes in net position for fiscal year 2022 and 2021.

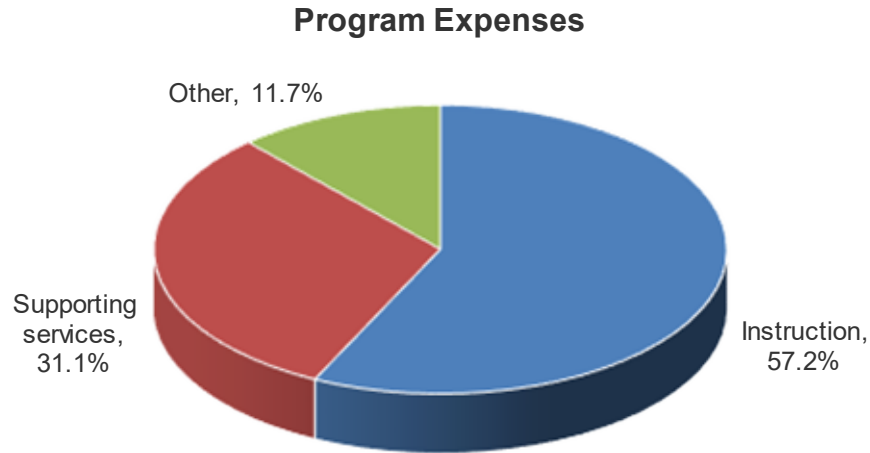
NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Table 2
Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services and sales	\$ 2,350,921	\$ 1,405,084	945,837
Operating grants, interest and contributions	7,282,849	5,812,513	1,470,336
Total program revenues	<u>9,633,770</u>	<u>7,217,597</u>	<u>2,416,173</u>
General revenues			
Property taxes	32,790,320	27,945,811	4,844,509
Grants and entitlements not restricted to specific purposes	15,547,932	16,372,261	(824,329)
Investment earnings	173,611	268,207	(94,596)
Miscellaneous	2,660,356	1,184,626	1,475,730
Total general revenues	<u>51,172,219</u>	<u>45,770,905</u>	<u>5,401,314</u>
Total revenues	<u>60,805,989</u>	<u>52,988,502</u>	<u>7,817,487</u>
Program expenses			
Instruction	32,632,083	36,466,833	(3,834,750)
Supporting services			
Pupil and instructional staff	4,321,914	4,499,614	(177,700)
Board of education, administration, fiscal services and business	4,727,271	4,967,115	(239,844)
Operation and maintenance	4,082,787	3,723,453	359,334
Pupil transportation	3,473,159	3,584,438	(111,279)
Central services	1,138,148	680,670	457,478
Operation of non-instructional services			
Food service operation	2,254,484	2,097,612	156,872
Community services	274,190	288,966	(14,776)
Extracurricular activities	1,057,675	1,181,901	(124,226)
Interest and fiscal charges	3,104,486	3,113,840	(9,354)
Total expenses	<u>57,066,197</u>	<u>60,604,442</u>	<u>(3,538,245)</u>
Change in net position	3,739,792	(7,615,940)	11,355,732
Net position at beginning of year, restated	(10,060,310)	(2,444,370)	(7,615,940)
Net position at end of year	<u>\$ (6,320,518)</u>	<u>\$ (10,060,310)</u>	<u>\$ 3,739,792</u>

57.2 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 31.1 percent. The remaining program expenses of 11.7 percent are budgeted to facilitate other obligations of the School District, such as the food service program, numerous extracurricular activities and debt service.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)



The Statement of Activities shows the total and net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Program expenses				
Instruction	\$ 32,632,083	\$ 36,466,833	\$(27,775,616)	\$(33,007,197)
Supporting services				
Pupil and instructional staff	4,321,914	4,499,614	(3,897,793)	(4,094,987)
Board of education, administration, fiscal services and business	4,727,271	4,967,115	(4,727,271)	(4,967,115)
Operation and maintenance	4,082,787	3,723,453	(4,043,814)	(3,700,605)
Pupil transportation	3,473,159	3,584,438	(2,994,802)	(3,584,438)
Central services	1,138,148	680,670	(1,137,848)	(945,957)
Operation of non-instructional services				
Food service operation	2,254,484	2,097,612	795,738	662,264
Community services	274,190	288,966	24,605	(31,688)
Extracurricular activities	1,057,675	1,181,901	(571,140)	(903,282)
Interest and fiscal charges	3,104,486	3,113,840	(3,104,486)	(3,113,840)
Total expenses	<u>\$ 57,066,197</u>	<u>\$ 60,604,442</u>	<u>\$(47,432,427)</u>	<u>\$(53,686,845)</u>

Clearly, the North Ridgeville community is by far the greatest source of financial support for the students of the North Ridgeville City Schools.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

School District Funds

Information regarding the School District's major funds can be found on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 60,262,487, excluding other sources, and expenditures of \$ 60,290,344, excluding other uses. Other financing sources (uses) had a net increase of \$ 257,391. The net changes in fund balances for the year were as follows: General Fund \$ 5,665 and Other Governmental Funds \$ 223,869.

General Fund revenue increased by \$ 5,594,345 primarily due to increases in taxes of \$ 3,901,634 and payments in lieu of taxes of \$ 2,082,014.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the General Fund. During the course of fiscal year 2022, the School District amended its General Fund budget several times. Original budgeted receipts for the General Fund were \$ 46,233,870 and final budgeted receipts were \$ 48,500,000. Actual receipts were \$ 49,426,326 which were \$ 926,326 higher than final budgeted estimated receipts. Original appropriations and final appropriations were \$ 51,494,586. Actual expenditures were \$ 49,931,917 which were \$ 1,562,669 less than final appropriations. As additional revenue was received during the year, estimated receipts were amended to reflect the new revenue sources. Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenditures but provide flexibility for managers to redirect funds as conditions develop during the year. The above circumstances allowed the School District to end the school year with a General Fund unencumbered cash balance of \$ 24,168,592 which was \$ 2,488,995 more than projections.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation/amortization. At the end of fiscal 2022, the School District had \$ 61,920,454 invested in land, buildings, equipment, vehicles and intangible right to use assets. Table 4 shows fiscal 2022 values compared to 2021.

Table 4
Capital Assets
(Net of Accumulated Depreciation/Amortization)

	2022	2021
Land	\$ 2,219,541	\$ 2,219,541
Buildings and improvements	48,915,996	49,668,331
Furniture and equipment	8,701,477	9,066,677
Vehicles	2,083,440	2,055,938
Total capital assets	\$ 61,920,454	\$ 63,010,487

During fiscal 2022, the School District purchased \$ 1,562,804 of capital assets and recorded depreciation/amortization expense of \$ 2,600,078. More detailed information is presented in Note 9 of the notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Debt

At June 30, 2022 the School District had \$ 92,768,269 in long-term obligations a decrease of \$ 28,406,369. \$ 678,204 of the long-term obligations are due within one year. Net pension liability and net OPEB liability at June 30, 2022 were \$ 29,578,303 and \$ 3,843,930, respectively. Table 5 shows fiscal 2022 values compared to 2021.

Table 5
Outstanding Debt Year-End

	2022	2021
Term and serial bonds	\$ 48,465,000	\$ 50,940,000
Capital appreciation bonds	718,776	922,406
Accretion on capital appreciation bonds	2,825,176	2,138,198
Unamortized bond premium	6,275,912	5,940,079
Financed purchases	421,943	677,656
Net pension liability	29,578,303	55,240,474
Net OPEB liability	3,843,930	4,593,749
Compensated absences	639,229	722,076
Total outstanding debt	\$ 92,768,269	\$ 121,174,638

More detailed information is presented in Notes 14, 15, and 16 of the notes to the basic financial statements.

School District Outlook

The school district's most recent financial forecast was prepared in November 2022. The forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability. The Board of Education and the administration closely monitor revenues and expenditures in accordance with its financial forecast and the district's curriculum and operating plans.

Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data. The district is on the FY 2020 base guarantee, to at least continue receiving its base 2020 funding levels.

Inflationary cost increases and higher levels of enrollment have required incremental levels of expenditures. The City of North Ridgeville is experiencing a high level of growth in the number of new homes constructed. Several large housing developments have led to increased enrollment and will continue to do so for the foreseeable future. The district may need to use a portion of its cash balance to offset costs required to make current building configurations suitable for the growing level of students that will occupy them.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

In FY 2023 a revenue surplus is expected, where revenue is greater than expenditures. By the last year of the forecast, a revenue shortfall is expected, where expenditures are greater than revenue. The district would need to cut its FY 2027 projected expenses by 10.23% in order to balance its budget without additional revenue. It has been 10 years since the district's last new operating levy. The district was successful in passing a substitute levy in 2020 that renewed, and combined, four existing emergency levies into one. The substitute levy allowed for some additional revenue growth based on new construction. However, the revenue base does not have the capacity to offset deficits on the horizon, or to compensate for enrollment growth and the natural rise of inflationary costs incurred through the forecast period.

The district's cash balance is positive at year-end in FY 2023, and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time. Achieving a balanced budget and maintaining adequate cash balances are two fundamental business practices that not only ensure fiscal stability, but also a consistent and dependable educational experience for students. The district's administration determines its budget annually, striving to provide adequate resources to meet student needs. The administration along with the Board of Education will continue to monitor expenses and improve programs to provide cost effective, quality education to North Ridgeville students.

Contacting the School District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael A. Pissini, CPA, CGFM, Treasurer/CFO at North Ridgeville City School District, 34600 Bainbridge Road, North Ridgeville, Ohio 44039.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
Assets	
Equity in pooled cash and investments	\$ 34,993,271
Due from other governments	28,398
Taxes receivable	36,611,606
Net OPEB asset	3,675,472
Capital assets	
Nondepreciable capital assets	2,219,541
Depreciable capital assets	59,700,913
Total assets	137,229,201
Deferred outflow s of resources	
Deferred charge on refunding	2,997,495
Pension	13,988,165
OPEB	1,948,755
Total deferred outflow s of resources	18,934,415
Liabilities	
Accounts and contracts payable	275,392
Accrued salaries, wages and benefits	4,683,929
Accrued interest payable	154,500
Due to other governments	913,726
Tax anticipation note payable	1,610,000
Long-term liabilities	
Due w ithin one year	678,204
Due in more than one year	
Net pension liability	29,578,303
Net OPEB liability	3,843,930
Other amounts	58,667,832
Total liabilities	100,405,816
Deferred inflow s of resources	
Property taxes	30,566,101
Deferred charge on refunding	1,218,845
Pension	23,696,477
OPEB	6,596,895
Total deferred inflow s of resources	62,078,318
Net position	
Net investment in capital assets	7,817,473
Restricted for:	
Debt service	2,526,985
Capital projects	4,063,154
Food service	1,459,030
Student activities	104,726
Extracurricular activities	48,741
State grants	68,960
Federal grants	1,408
Donations	87,207
Net OPEB asset	3,675,472
Unrestricted	(26,173,674)
Total net position	\$ (6,320,518)

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Interest and Contributions	
Governmental activities:				
Instruction				
Regular	\$ 22,718,556	\$ 1,328,959	\$ 766,764	\$ (20,622,833)
Special	9,707,034	6,685	2,754,059	(6,946,290)
Vocational	160,576	-	-	(160,576)
Other instruction	45,917	-	-	(45,917)
Supporting services				
Pupil	2,988,721	227,437	23,978	(2,737,306)
Instructional staff	1,333,193	9,616	163,090	(1,160,487)
Board of education	195,984	-	-	(195,984)
Administration	2,724,445	-	-	(2,724,445)
Fiscal services	1,493,707	-	-	(1,493,707)
Business	313,135	-	-	(313,135)
Operation and maintenance	4,082,787	-	38,973	(4,043,814)
Pupil transportation	3,473,159	11,712	466,645	(2,994,802)
Central services	1,138,148	300	-	(1,137,848)
Operation of non-instructional services				
Food service operation	2,254,484	339,203	2,711,019	795,738
Community services	274,190	-	298,795	24,605
Extracurricular activities	1,057,675	427,009	59,526	(571,140)
Interest and fiscal charges	3,104,486	-	-	(3,104,486)
Total	\$ 57,066,197	\$ 2,350,921	\$ 7,282,849	(47,432,427)

General revenues

Property taxes levied for:

General purposes	28,233,932
Debt service	3,731,583
Capital improvements	824,805
Payments in lieu of taxes	2,201,375
Grants and entitlements not restricted to specific purposes	15,547,932
Investment earnings	173,611
Miscellaneous	458,981
Total general revenues	51,172,219
 Change in net position	 3,739,792
 Net position at beginning of year	 (10,060,310)
Net position at end of year	\$ (6,320,518)

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and investments	\$ 25,538,262	\$ 9,331,835	\$ 34,870,097
Receivables, net of allowance			
Taxes, current	30,196,906	4,543,300	34,740,206
Taxes, delinquent	1,641,200	230,200	1,871,400
Due from other governments	14,667	13,731	28,398
Total assets	\$ 57,391,035	\$ 14,119,066	\$ 71,510,101
Liabilities			
Accounts and contracts payable	\$ 192,167	\$ 83,225	\$ 275,392
Accrued salaries, wages and benefits	4,561,419	122,510	4,683,929
Due to other governments	875,159	38,567	913,726
Tax anticipation note payable	-	1,610,000	1,610,000
Matured compensated absences	43,189	-	43,189
Total liabilities	5,671,934	1,854,302	7,526,236
Deferred inflows of resources			
Property taxes levied for next year and unavailable resources	28,183,814	4,253,687	32,437,501
Total deferred inflows of resources	28,183,814	4,253,687	32,437,501
Fund balances (deficits)			
Restricted	-	8,216,433	8,216,433
Assigned	3,868,415	-	3,868,415
Unassigned	19,666,872	(205,356)	19,461,516
Total fund balances (deficits)	23,535,287	8,011,077	31,546,364
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 57,391,035	\$ 14,119,066	\$ 71,510,101

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total governmental fund balances	\$ 31,546,364
Amount 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 not reported in the funds.	61,920,454
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflow s in the funds: Property taxes	1,871,400
Unamortized net deferred charges on refundings are not recognized in the funds	1,778,650
Net OPEB asset is not recognized in the funds	3,675,472
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	123,174
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in the governmental funds.	
Deferred outflow s - pension	13,988,165
Deferred inflow s - pension	(23,696,477)
Net pension liability	(29,578,303)
Deferred outflow s - OPEB	1,948,755
Deferred inflow s - OPEB	(6,596,895)
Net OPEB liability	(3,843,930)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(596,040)
Bonds payable	(52,008,952)
Unamortized bond premium	(6,275,912)
Financed purchases	(421,943)
Accrued interest payable	(154,500)
Net position of governmental activities	\$ (6,320,518)

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 27,745,832	\$ 4,506,988	\$ 32,252,820
Payments in lieu of taxes	2,201,375	-	2,201,375
Tuition and fees	1,340,373	-	1,340,373
Interest	165,283	8,328	173,611
Intergovernmental	16,639,759	6,191,022	22,830,781
Extracurricular	337,581	313,410	650,991
Charges for services	-	339,287	339,287
Donations and contributions	21,913	66,189	88,102
Other	333,868	51,279	385,147
Total revenues	48,785,984	11,476,503	60,262,487
Expenditures			
Current			
Instruction			
Regular	21,969,278	808,122	22,777,400
Special	8,734,497	1,618,283	10,352,780
Vocational	176,479	-	176,479
Other instruction	50,499	-	50,499
Supporting services			
Pupil	3,203,704	8,307	3,212,011
Instructional staff	1,230,401	176,916	1,407,317
Board of education	200,087	-	200,087
Administration	3,031,828	-	3,031,828
Fiscal services	1,304,205	261,396	1,565,601
Business	352,181	-	352,181
Operation and maintenance	3,114,583	810,518	3,925,101
Pupil transportation	3,334,578	466,645	3,801,223
Central services	1,074,143	300	1,074,443
Operation of non-instructional services			
Food service operation	579	2,396,815	2,397,394
Community services	-	279,892	279,892
Extracurricular activities	774,648	329,825	1,104,473
Capital outlay	287,390	662,923	950,313
Debt service			
Principal	-	1,424,343	1,424,343
Interest	-	2,206,979	2,206,979
Total expenditures	48,839,080	11,451,264	60,290,344
Excess (deficiency) of revenues over expenditures	(53,096)	25,239	(27,857)
Other financing sources (uses)			
Proceeds from sale of capital assets	58,761	-	58,761
Issuance of refunding bonds	-	8,000,000	8,000,000
Premium on debt issue	-	1,898,882	1,898,882
Payment to escrow agent	-	(9,700,252)	(9,700,252)
Transfers in	-	901,933	901,933
Transfers out	-	(901,933)	(901,933)
Total other financing sources (uses)	58,761	198,630	257,391
Net change in fund balances	5,665	223,869	229,534
Fund balances, beginning of year	23,529,622	7,787,208	31,316,830
Fund balances, end of year	\$ 23,535,287	\$ 8,011,077	\$ 31,546,364

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		\$ 229,534
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
	Capital outlay	\$ 1,562,804
	Depreciation/amortization expense	<u>(2,600,078)</u>
		(1,037,274)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets, net of proceeds received.		
		(52,759)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Property taxes	537,500
Other financing sources (uses) in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.		
	Proceeds from debt refunding	(8,000,000)
	Payment to bond escrow agent	9,700,252
	Premium on debt issue	<u>(1,898,882)</u>
		(198,630)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,424,343
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
	Accrued interest	1,200
	Amortization of deferred charges	124,105
	Accreted interest	(686,978)
	Amortization of bond premium	<u>(335,833)</u>
		(897,506)
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	21,266
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(90,453)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
	Pension	4,451,668
	OPEB	<u>141,428</u>
		4,593,096
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB asset and changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
	Pension	(906,608)
	OPEB	<u>117,283</u>
		(789,325)
Change in net position of governmental activities		<u>\$ 3,739,792</u>

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund			Variance w ith Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 46,233,870	\$ 48,500,000	\$ 49,426,326	\$ 926,326
Total expenditures and other uses	51,494,586	51,494,586	49,931,917	1,562,669
Net change in fund balance	(5,260,716)	(2,994,586)	(505,591)	2,488,995
Prior year encumbrances	494,586	494,586	494,586	-
Fund balances, beginning of year	24,179,597	24,179,597	24,179,597	-
Fund balances, end of year	<u>\$ 19,413,467</u>	<u>\$ 21,679,597</u>	<u>\$ 24,168,592</u>	<u>\$ 2,488,995</u>

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUND

JUNE 30, 2022

	<u>Self Insurance</u>
Assets	
Current assets	
Equity in pooled cash and investments	\$ 123,174
Total current assets	<u>123,174</u>
Net position	
Unrestricted	123,174
Total net position	<u>\$ 123,174</u>

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Self Insurance</u>
Operating expenses	
Purchased services	\$ 90,453
Total operating expenses	90,453
Operating loss	(90,453)
Change in net position	(90,453)
Net position, beginning of year	213,627
Net position, end of year	\$ 123,174

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Self Insurance</u>
Cash flows from operating activities	
Cash payments for goods and services	\$ (90,453)
Net cash used in operating activities	<u>(90,453)</u>
Net decrease in cash and cash equivalents	(90,453)
Cash and cash equivalents, beginning of year	<u>213,627</u>
Cash and cash equivalents, end of year	<u>\$ 123,174</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	<u>\$ (90,453)</u>
Adjustments	
Decrease in accounts payable	<u>-</u>
Total adjustments	<u>-</u>
Net cash used in operating activities	<u>\$ (90,453)</u>

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUND
JUNE 30, 2022

	<u>Custodial Fund</u>
Assets	
Equity in pooled cash and investments	\$ 2,942
Total assets	<u>\$ 2,942</u>
Net position	
Restricted for other organizations	\$ 2,942
Total net position	<u>\$ 2,942</u>

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CUSTODIAL FUND
JUNE 30, 2022

	Custodial Fund
Additions	
Collections for other organizations	\$ 18,490
Total additions	18,490
Deductions	
Distributions to other organizations	17,350
Total deductions	17,350
Net change in fiduciary net position	1,140
Net position beginning of year	1,802
Net position end of year	\$ 2,942

See accompanying notes to the basic financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The North Ridgeville City School District (the School District) was 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 a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2021 was 5,161. The School District employs 353 certificated staff members and 259 non-teaching and support staff employees.

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

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported 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 organizations' 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 organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with Connect, the Lorain County Joint Vocational School District, and the Ohio School Council Association which are considered to be jointly governed organizations. The School District also participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program. These organizations and their relationships with the School District are described in more detail in Notes 11 and 19 to these financial statements.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. BASIS OF PRESENTATION

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. FUND ACCOUNTING

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Governmental Funds

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

General Fund - the general fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund.

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

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund – the internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the activities of the medical insurance.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's custodial fund accounts for collection of fees to be distributed to the Ohio High School Athletic Association (OHSAA) for athletic tournaments.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 (revenues) and decreases (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 along with 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

E. 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. Proprietary and the fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, 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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

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 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 fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

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, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 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. 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 fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

Expenditures/Expenses

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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

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

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

G. CASH AND INVESTMENTS

Cash received by the School District is deposited in one central bank account with individual fund balance integrity maintained through School District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the General Fund during fiscal year 2022 amounted to \$ 165,283 of which \$ 38,563 was assigned from other School District Funds.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

During fiscal year 2022, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FMCC) securities, Federal National Mortgage Association (FNMA) securities, commercial paper, U.S. Treasury notes, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. Investment in STAR Ohio is measured 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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CASH AND INVESTMENTS (continued)

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$ 100 million. STAR Ohio reserves the right to limit the transaction to \$ 250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 million limit. All accounts of the participant will be combined for these purposes.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

H. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

I. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid assets in both the government-wide and fund financial statements. These amounts are reflected as an expenditure/expense in the year in which the services are consumed.

J. CAPITAL ASSETS

General capital assets are those assets which are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 1,000 and useful life of more than five years. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Asset	Estimated Useful Life
Buildings	50 years
Building improvements	5 - 20 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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 column of the statement of net position.

L. 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 School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes 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.

A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The unmatured portion of the liability is not reported.

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

N. NET POSITION

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a 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. The School District Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is necessary to either remove or revise a commitment.

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

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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

Q. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

R. INTERFUND TRANSACTIONS

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.

S. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the School District has implemented GASB Statement No. 87, "Leases", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the School District.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code(IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements are the following deficit fund balances:

Title 1	\$	50,871
EHA Preschool	\$	698
Title VI-R	\$	2,446
Permanent Improvements	\$	151,341

These deficits results from adjustments for accrued liabilities. The General Fund is liable for the deficit in the fund and provides transfers when cash is required, not when accruals occur.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget Basis (Non-GAAP) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than 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 for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (505,591)
Adjustments, increase (decrease)	
Revenue accruals	(455,275)
Expenditure accruals	432,796
Funds budgeted elsewhere **	(517,327)
Encumbrances	1,051,062
GAAP basis, as reported	\$ 5,665

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5 – FUND BALANCES

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

	General Fund	Nonmajor Governmental Funds	Total
Fund balances			
Restricted			
Food service operations	\$ -	\$ 1,480,052	\$ 1,480,052
Miscellaneous grants	-	87,207	87,207
Classroom facilities maintenance	-	700,503	700,503
Student managed activities	-	104,726	104,726
Athletics	-	48,741	48,741
Non-public schools	-	29,987	29,987
Miscellaneous State Grants	-	38,973	38,973
Miscellaneous Federal Grants	-	1,408	1,408
Debt service	-	2,362,185	2,362,185
Capital projects	-	3,362,651	3,362,651
Total restricted	<u>-</u>	<u>8,216,433</u>	<u>8,216,433</u>
Assigned			
Subsequent year's appropriations	2,690,913	-	2,690,913
Student instruction	183,084	-	183,084
Student and staff support	888,195	-	888,195
School supplies	72,002	-	72,002
Other	34,221	-	34,221
Total assigned	<u>3,868,415</u>	<u>-</u>	<u>3,868,415</u>
Unassigned (deficit)	<u>19,666,872</u>	<u>(205,356)</u>	<u>19,461,516</u>
Total fund balances	<u>\$ 23,535,287</u>	<u>\$ 8,011,077</u>	<u>\$ 31,546,364</u>

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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;
5. 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;

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS(continued)

A. LEGAL REQUIREMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$ 250 in cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Investments".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the School District's deposits was \$ 2,494,266 and the bank balance was \$ 2,536,834. Of the bank balance, \$ 2,229,783 was covered by Federal depository insurance and \$ 307,051 was uninsured. Of the remaining balance, \$ 134,345 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer of qualified trustee.

As of June 30, 2022, the School District had the following investments:

	Fair Value	Investment Maturities			Percentage of Investments
		Less than 1 yr	1 - 2 years	3 years and longer	
STAR Ohio	\$ 8,775,745	\$ 8,775,745	\$ -	\$ -	27.0%
Money market	46,332	46,332	-	-	0.1%
U.S. Government securities	22,763,074	1,172,810	13,927,081	7,663,183	70.1%
Commercial paper	916,546	916,546	-	-	2.8%
	<u>\$ 32,501,697</u>	<u>\$ 10,911,433</u>	<u>\$ 13,927,081</u>	<u>\$ 7,663,183</u>	<u>100.0%</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 table identifies the School District's recurring fair value measurements as of June 30, 2022. As discussed further in Note 1G, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The School District follows the Ohio Revised Code that limits its investment choices (see Note 6 A). The School District has no investment policy that would further limit its investment choices. As of June 30, 2022 the School District's investment STAR Ohio was rated AAAM by Standard & Poor's. The investments in commercial paper were rated A-1 and A-1+.

F. CONCENTRATION OF CREDIT RISK

The School District places no limit on the amount that may be invested in any one issuer.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County. The County Auditor 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, 2022, are available to finance fiscal year 2022 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only delinquent settlement of tangible personal property taxes and 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.

The amounts available as an advance at June 30, 2022 were \$ 3,654,292 in the General Fund, \$ 368,538 in the Debt Service Fund and \$ 151,275 in the Capital Projects Fund. The amounts available as an advance at June 30, 2021 were \$ 4,494,066 in the General Fund, \$ 510,179 in the Debt Service Fund and \$ 195,384 in the Capital Projects Fund.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	%	Amount	%
Agricultural / Residential				
Real Estate	\$ 851,484,620	87.74 %	\$ 1,037,318,350	89.59 %
Other Commercial	96,586,000	9.95	96,716,060	8.35
Public Utility Tangible	22,438,090	2.31	23,867,860	2.06
	<u>\$ 970,508,710</u>	<u>100.00 %</u>	<u>\$ 1,157,902,270</u>	<u>100.00 %</u>
Tax Rate per \$ 1,000 of Assessed Valuation:	<u>50.51</u>		<u>48.41</u>	

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - RECEIVABLES

Receivables at June 30, 2022, consisted of property taxes, and due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. At year end, due from other governments consisted of:

Fund	Amount
General Fund	\$ 14,667
Food service	13,731
Total due from other governments	\$ 28,398

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,219,541	\$ -	\$ -	\$ 2,219,541
Total nondepreciable capital assets	2,219,541	-	-	2,219,541
Depreciable capital assets				
Buildings and improvements	64,769,216	951,825	-	65,721,041
Furniture and equipment	13,860,404	144,334	61,084	13,943,654
Vehicles	5,517,771	466,645	-	5,984,416
Total capital assets being depreciated	84,147,391	1,562,804	61,084	85,649,111
Less accumulated depreciation/amortization				
Buildings and improvements	15,100,885	1,704,160	-	16,805,045
Furniture and equipment	4,793,727	456,775	8,325	5,242,177
Vehicles	3,461,833	439,143	-	3,900,976
Total accumulated depreciation/amortization	23,356,445	2,600,078	8,325	25,948,198
Depreciable capital assets, net of accumulated depreciation/amortization	60,790,946	(1,037,274)	52,759	59,700,913
Governmental activities capital assets, net	\$ 63,010,487	\$ (1,037,274)	\$ 52,759	\$ 61,920,454

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - CAPITAL ASSETS (continued)

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

Special	6,992
Supporting services	
Pupil	3,676
Instructional staff	3,459
Administration	3,147
Operation and maintenance of plant	377,799
Pupil transportation	420,731
Central services	312
Operation of non-instructional services	
Food service	21,222
Community services	7,327
Extracurricular activities	40,489
Total depreciation/amortization expense	<u>\$ 2,600,078</u>

NOTE 10 - INTERFUND TRANSFERS

Transfers for the year ended June 30, 2022, consisted of the following:

	Transfer from		
	Nonmajor Governmental Funds Classroom Facilities Fund	Debt Service Fund	Total
Transfer to:			
Nonmajor Governmental Funds			
Permanent Improvements Fund	\$ 516,933	\$ 385,000	\$ 901,933

The Classroom Facilities Fund transferred \$ 516,933 to the Permanent Improvements Fund to correct prior amounts improperly receipted into the Classroom Facilities Fund. The Debt Service Fund made the principal payment of \$ 385,000 on the tax anticipation note, which is reflected as a fund liability in the Permanent Improvement fund. For financial statement reporting purposes, a transfer for the principal amount is reflected in the funds statements.

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts, theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. There have not been any significant reductions in insurance coverage from coverage in the prior year, and the amounts of settlements have not exceeded coverage for any of the prior three years.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - RISK MANAGEMENT (continued)

A. PROPERTY AND LIABILITY (continued)

The School District has a property and casualty policy with the Ohio School Plan through the Love Insurance Agency. The coverage limits and deductibles vary based on type of coverage provided. Deductibles are typically \$ 1,000 per occurrence. All vehicles are insured with a \$ 1,000 deductible. Buses less than 10 years old are insured at replacement value. The umbrella liability policy limits are \$ 10,000,000 per occurrence and \$ 12,000,000 per aggregate. All board members, administrators and employees are covered under a school district liability policy with the Ohio School Plan with a \$ 2,500 deductible and \$ 10,000,000 limit per claim and a \$ 12,000,000 annual aggregate limit. Employee dishonesty and faithful performance of duty in lieu of bond coverage in the amount of \$ 100,000 covers the Treasurer with Travelers Insurance Company. Remaining employees who handle money are covered with a public employees blanket bond in the amount of \$ 100,000 with the Ohio School Plan and have a \$ 1,000 deductible. Other coverage includes Violent acts, Pollution and Cyber insurance.

B. WORKERS' COMPENSATION

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Retro 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 Ohio School Boards Association (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.

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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

C. EMPLOYEE MEDICAL BENEFITS

The School District is a member of the Suburban Health Consortium, a shared risk pool to provide employee medical and prescription drug benefits. Rates are set through an annual calculation process prepared by the Consortium's health insurance consultant. The School District pays a monthly contribution and a pro-rata share of their "buy-in" contribution to existing plan reserves which is placed in a common fund from which the claim payments are made for all participating districts. For 2022, the School District paid approximately 83% of the cost of the monthly premium for all employees.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

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

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

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 are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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

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

B. PLAN DESCRIPTION - 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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

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 year 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. Beginning April 1, 2018, 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund. The School District's contractually required contribution to SERS was \$ 1,075,692 for fiscal year 2022, of which \$ 44,010 is reported as due to other governments.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined 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 2.20% 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% 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. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year 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, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any 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 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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

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 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. For the fiscal year ended June 30, 2022, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates. The School District's contractually required contribution to STRS was \$ 3,375,976 for fiscal year 2022. Of this amount \$ 517,269 is reported as due to other governments.

D. 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, 2021, 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>
Proportionate share of the net pension liability	\$ 7,289,450	\$ 22,288,853	\$ 29,578,303
Pension expense	\$ 22,718	\$ 883,890	\$ 906,608
Proportion of the net pension liability prior measurement date	0.2081104%	0.17141204%	
Proportion of the net pension liability - current measurement date	<u>0.1975616%</u>	<u>0.17432371%</u>	
	<u>-0.0105488%</u>	<u>0.00291167%</u>	

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>TOTAL</u>
Deferred outflows of resources			
Difference between expected and actual experience	\$ 703	\$ 688,618	\$ 689,321
Change in proportionate share and difference between School District contributions and proportionate share of contributions	212,187	2,298,168	2,510,355
Change in assumptions	153,494	6,183,327	6,336,821
School District contributions subsequent to the measurement date	1,075,692	3,375,976	4,451,668
Total deferred outflows of resources	<u>\$ 1,442,076</u>	<u>\$ 12,546,089</u>	<u>\$ 13,988,165</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 189,045	\$ 139,706	\$ 328,751
Net difference between projected and actual earnings on pension plan investments	3,754,280	19,208,725	22,963,005
Changes in proportionate share and difference between School District contributions and proportionate share	404,721	-	404,721
Total deferred inflows of resources	<u>\$ 4,348,046</u>	<u>\$ 19,348,431</u>	<u>\$ 23,696,477</u>

\$ 4,451,668 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 year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	\$ (966,738)	\$ (2,273,136)	\$ (3,239,874)
2024	(969,956)	(1,890,169)	(2,860,125)
2025	(892,632)	(2,337,576)	(3,230,208)
2026	(1,152,336)	(3,677,437)	(4,829,773)
	<u>\$ (3,981,662)</u>	<u>\$ (10,178,318)</u>	<u>\$ (14,159,980)</u>

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal (Level Percent of Payroll)
Actuarial assumptions experience study date	5 year period ended June 30, 2020
Investment rate of return	7.00 percent of net of System expenses
COLA or Ad Hoc COLA	2.00 percent on and after April 1, 2018. COLA's for future retirees will be delayed for three years following commencement
Future salary increases, including inflation	3.25 percent to 13.58 percent
Inflation	2.40 percent

In 2021, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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

The most recent experience study was completed June 30, 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	2.00%	-0.33%
U.S. equity	24.75%	5.72%
Non-U.S. equity developed	13.50%	6.55%
Non-U.S. equity emerging	6.75%	8.54%
Fixed income / global bonds	19.00%	1.14%
Private equity	11.00%	10.03%
Real estate / real assets	16.00%	5.41%
Multi-asset strategy	4.00%	3.47%
Private debt / private credit	3.00%	5.28%
	<u>100.00%</u>	

Discount Rate - The total pension liability 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 earning 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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 12,127,855	\$ 7,289,450	\$ 3,209,012

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Payroll increases	3.00 percent
Investment rate of return	7.00 percent, net of investment expenses, including inflation
Discount rate of return	7.00 percent
Cost of living (COLA)	0 percent

Post-retirement mortality rates for healthy retirees 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. 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 July 1 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	100.00%	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2021. 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, 2021.

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	\$ 41,738,680	\$ 22,288,853	\$ 5,853,791

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY/(ASSET)

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

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

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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included as due to other governments on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION - 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. 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 Plan is included in the report of SERS which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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 2022, 0 percent of covered payroll 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 2022, 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 2022, the School District's surcharge obligation was \$ 141,428.

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 \$ 141,428 for fiscal year 2022. Of this amount \$ 141,428 is reported as due to other governments.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS Ohio did not allocate any employer contributions to post-employment health care.

The net OPEB liability/(asset) was measured as of June 30, 2021, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The 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:

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES/(ASSETS), OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net OPEB liability/(asset)	\$ 3,843,930	\$ (3,675,472)	\$ 168,458
OPEB expense	\$ 86,146	\$ (203,429)	\$ (117,283)
Proportion of the net OPEB liability prior measurement date	0.2113694%	0.17141204%	
Proportion of the net OPEB liability - current measurement date	<u>0.2031051%</u>	<u>0.17432371%</u>	
	<u>-0.0082643%</u>	<u>0.00291167%</u>	

At June 30, 2022, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 40,973	\$ 130,874	\$ 171,847
Change in assumptions	603,022	234,773	837,795
Changes in proportionate share and differences between School District contributions and proportionate share of contributions	652,185	145,500	797,685
School District contributions subsequent to the measurement date	<u>141,428</u>	<u>-</u>	<u>141,428</u>
Total deferred outflows of resources	<u>\$ 1,437,608</u>	<u>\$ 511,147</u>	<u>\$ 1,948,755</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,914,451	\$ 673,415	\$ 2,587,866
Change in assumptions	526,394	2,192,692	2,719,086
Net difference between projected and actual earnings on OPEB plan investments	83,511	1,018,776	1,102,287
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>187,656</u>	<u>-</u>	<u>187,656</u>
Total deferred inflows of resources	<u>\$ 2,712,012</u>	<u>\$ 3,884,883</u>	<u>\$ 6,596,895</u>

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES/(ASSETS), AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

\$ 141,428 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 in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
June 30:			
2023	\$ (266,641)	\$ (950,635)	\$ (1,217,276)
2024	(267,227)	(925,140)	(1,192,367)
2025	(319,811)	(939,692)	(1,259,503)
2026	(307,890)	(419,616)	(727,506)
2027	(181,044)	(142,240)	(323,284)
Thereafter	(73,219)	3,587	(69,632)
	\$ (1,415,832)	\$ (3,373,736)	\$ (4,789,568)

E. 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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

Actuarial assumptions experience study date	5 year period ended June 30, 2020
Investment rate of return	7.00 percent of net of investment expense, including inflation
Inflation	2.40 percent
Wage increases	3.25 to 13.58 percent
Municipal bond index rate:	
Prior measurement date	2.45 percent
Measurement date	1.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	2.63 percent
Measurement date	2.27 percent
Medical trend assumptions	
Pre-medicare	6.750 to 4.400 percent
Medicare	5.125 to 4.400 percent

In 2021, 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% for males and set forward 2 years and adjusted 81.35% 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% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board on April 21, 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 log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	2.00%	-0.33%
U.S. equity	24.75%	5.72%
Non-U.S. equity developed	13.50%	6.55%
Non-U.S. equity emerging	6.75%	8.54%
Fixed income / global bonds	19.00%	1.14%
Private equity	11.00%	10.03%
Real estate / real assets	16.00%	5.41%
Multi-asset strategy	4.00%	3.47%
Private debt / private credit	3.00%	5.28%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 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 state statute contribution rate of 1.5 percent of projected covered employee 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 future benefit payments of current System members by SERS actuaries. 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 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$ 4,763,095	\$ 3,843,930	\$ 3,109,636

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$ 2,959,511	\$ 3,843,930	\$ 5,025,243

F. ACTUARIAL ASSUMPTIONS – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll increases	3.00 percent	
Investment rate of return	7.00 percent, net of investment expenses, including inflation	
Discount rate of return	7.00 percent	
Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription drug		
Pre-medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

For 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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. 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 CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	100.00%	

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. 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, 2021.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

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, 2021, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$ (3,101,531)	\$ (3,675,472)	\$ (4,154,915)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ (4,135,488)	\$ (3,675,472)	\$ (3,106,621)

NOTE 14 – BONDS PAYABLE

The original issue date, interest rate, original issuance and date of maturity for each of the School District's bond obligations follows:

Debt Issue	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
General obligation bonds				
Refunding				
Serial and term	2016	2038	1.50 - 4.00%	\$ 8,115,000
Capital appreciation	2016	2035	30.00%	\$ 5,658
Refunding				
Serial and term	2017	2047	3.25 - 4.00%	\$ 33,290,000
Capital appreciation	2017	2024	30.00%	\$ 1,539,286
Refunding				
Serial	2021	2034	2.00 - 4.00%	\$ 8,000,000

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 15— ADVANCE REFUNDING AND PRIOR YEAR DEFEASANCE OF DEBT

In December 2017 the School District issued \$ 34,829,286 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District's government-wide financial statements. As of June 30, 2022, \$ 34,830,000 of these bonds are considered defeased.

In September 2021 the School District issued \$ 8,000,000 of general obligation refunding bonds to currently refund Series 2014A and Series 2014B bonds for debt service savings. The net carrying amount of the old debt exceeded the reacquisition price \$ 1,291,976. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is shorter than the life of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$ 2,346,590 and resulted in an economic gain of \$ 2,102,508.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2022 were as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Amounts Due In One Year
General obligation bonds					
School facilities improvement					
2014 - Series A	\$ 2,580,000	\$ -	\$ 2,580,000	\$ -	\$ -
2014 - Series B	7,760,000	-	7,760,000	-	-
Refunding - 2016					
Serial and term	7,915,000	-	50,000	7,865,000	50,000
Capital appreciation	5,658	-	-	5,658	-
Accretion on CAB	14,791	6,622	-	21,413	-
Refunding - 2017					
Serial and term	32,685,000	-	-	32,685,000	-
Capital appreciation (CAB)	916,748	-	203,630	713,118	393,775
Accretion on CAB	2,123,407	680,356	-	2,803,763	-
Refunding - 2021					
Serial	-	8,000,000	85,000	7,915,000	15,000
General obligation bonds	<u>54,000,604</u>	<u>8,686,978</u>	<u>10,678,630</u>	<u>52,008,952</u>	<u>458,775</u>
Unamortized bond premium	<u>5,940,079</u>	<u>1,898,882</u>	<u>1,563,049</u>	<u>6,275,912</u>	<u>-</u>
Net pension liability					
STRS	41,475,614	-	19,186,761	22,288,853	-
SERS	13,764,860	-	6,475,410	7,289,450	-
Total net pension liability	<u>55,240,474</u>	<u>-</u>	<u>25,662,171</u>	<u>29,578,303</u>	<u>-</u>
Net OPEB liability					
SERS	4,593,749	-	749,819	3,843,930	-
Total net OPEB liability	<u>4,593,749</u>	<u>-</u>	<u>749,819</u>	<u>3,843,930</u>	<u>-</u>
Financed purchases	677,656	-	255,713	421,943	176,240
Compensated absences	722,076	21,923	104,770	639,229	43,189
Total governmental activities	<u>\$ 121,174,638</u>	<u>\$ 10,607,783</u>	<u>\$ 39,014,152</u>	<u>\$ 92,768,269</u>	<u>\$ 678,204</u>

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Bonds payable will be repaid from the Debt Service Fund. There is no repayment schedule for the net pension and net OPEB liability, however, employer pension and OPEB contributions are mostly made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Note 12 and 13. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire bonds payable outstanding at June 30, 2022, were as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 458,775	\$ 1,823,343	\$ 2,282,118
2024	373,468	1,822,018	2,195,486
2025	690,875	1,813,056	2,503,931
2026	890,000	1,787,694	2,677,694
2027	955,000	1,752,194	2,707,194
2028 - 2032	5,355,000	8,177,739	13,532,739
2033 - 2037	6,960,658	6,968,746	13,929,404
2038 - 2042	12,480,000	5,115,092	17,595,092
2043 - 2047	17,020,000	2,272,310	19,292,310
2048 - 2049	4,000,000	67,500	4,067,500
	<u>\$ 49,183,776</u>	<u>\$ 31,599,692</u>	<u>\$ 80,783,468</u>

The School District has entered into financed purchase agreements for the purchase of various items. The payments are paid from the permanent improvements fund. The terms of the agreements are:

	Beginning Date	Years	Ending Date	Payment Method
U.S. Bancorp Government Leasing and Financing, Inc.	2017	4	2022	Annually
U.S. Bancorp Government Leasing and Financing, Inc.	2017	5	2023	Annually
U.S. Bancorp Government Leasing and Financing, Inc.	2017	7-10	2028	Annually

The following is a schedule of future payments under the lease agreements:

Year ending June 30,	Principal	Interest	Total
2023	\$ 176,240	\$ 7,326	\$ 183,566
2024	163,014	4,019	167,033
2025	82,689	810	83,499
	<u>\$ 421,943</u>	<u>\$ 12,155</u>	<u>\$ 434,098</u>

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 17 - TAX ANTICIPATION NOTE

In November, 2015, the School District issued Tax Anticipation Notes (ten years at 1.99%) to finance energy efficiency improvements, upgrades to existing facilities and facility expansion or renovations. The notes are accounted for in the Permanent Improvements Fund.

Changes in the School District's tax anticipation notes during fiscal year 2022 were as follows:

	Outstanding June 30, 2021	Additions	Deductions	Outstanding June 30, 2022
Tax anticipation note, 1.99%	\$ 1,995,000	\$ -	\$ 385,000	\$ 1,610,000

NOTE 18 - OTHER COMMITMENTS

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

Fund	Amount
General fund	\$ 1,051,062
Nonmajor Governmental Funds	780,793
	\$ 1,831,855

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

A. CONNECT

The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers of Northeast Ohio, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member districts. The Superintendent/Executive Director of the three ESCs and Ohio Schools Council shall serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Educational Service Center of Northeast Ohio (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131. During the year ended June 30, 2022, the School District paid \$ 124,444 to Connect.

B. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. The North Ridgeville City School District's students may attend the Lorain County Joint Vocational School District. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 19 - JOINTLY GOVERNED ORGANIZATION (continued)

C. OHIO SCHOOLS COUNCIL

The Ohio Schools Council Association (Council) is a jointly governed organization among 254 school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating School Districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2022, the School District paid \$ 4,577 to the Council. Financial information can be obtained by contacting the Executive Director/Treasurer 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 has been selected 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.

NOTE 20 - CONTINGENCIES

A. 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, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

B. SCHOOL FOUNDATION

In fiscal year 2022, School District foundation funding was 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, 2022 foundation funding for the School District. These adjustments were insignificant for the School District for fiscal year 2022.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 21 - SET-ASIDES

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

	Capital Maintenance
Balance, July 1, 2021	\$ -
Required set aside	787,228
Offsetting credit	(441,309)
Qualifying expenditures	(1,278,361)
Balance June 30, 2022	\$ (932,442)

Although the School District had expenditures that reduced the capital improvements reserve set-aside amount below zero, this amount cannot be carried forward to reduce the set-aside requirements for future years.

NOTE 22 - TAX ABATEMENTS

The City of North Ridgeville is authorized by Ohio Revised code, subject to approval by city ordinance, to enter into property tax abatement agreements for the purpose of attracting or retaining business. The School District participates on a review board of those abatements and has entered into an agreement with the City of North Ridgeville to share in the income tax revenues generated by the incremental payroll associated with the business expansion. The School District receives 50% of the incremental income tax (less a 2.5% administration fee). In addition, the School District also receives contractual cash donations directly from these business entities for a period of time to compensate for the loss of real estate tax revenues.

For fiscal year 2022, the School District received \$ 538,707 in payments from the City and the business entities.

NOTE 23 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of the individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimate.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.1975616%	0.2081104%	0.1921239%	0.1882385%
School District's proportionate share of the net pension liability	\$ 7,289,450	\$ 13,764,860	\$ 11,495,110	\$ 10,780,768
School District's covered payroll	\$ 7,157,538	\$ 7,213,743	\$ 6,629,878	\$ 6,127,403
School District's proportionate share of the net pension liability as a percentage of its covered payroll	101.84%	190.81%	173.38%	175.94%
Plan fiduciary net position as a percentage of the total pension liability	82.86%	68.55%	70.85%	71.36%

- (1) Information prior to 2014 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
- (2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See notes to required supplementary information.

2018	2017	2016	2015	2014
0.1678397%	0.1659710%	0.164746%	0.156627%	0.156627%
\$ 10,028,051	\$ 12,147,546	\$ 9,400,555	\$ 7,926,803	\$ 9,314,105
\$ 5,547,731	\$ 4,830,729	\$ 5,006,874	\$ 4,301,659	\$ 4,129,595
180.76%	251.46%	187.75%	184.27%	222.55%
69.50%	62.98%	69.16%	71.70%	65.52%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability	0.17432371%	0.17141204%	0.16189720%	0.15634485%
School District's proportionate share of the net pension liability	\$ 22,288,853	\$ 41,475,614	\$ 35,802,593	\$ 34,376,722
School District's covered payroll	\$ 21,372,274	\$ 21,542,525	\$ 19,886,347	\$ 18,194,072
School District's proportionate share of the net pension liability as a percentage of its covered payroll	104.29%	192.53%	180.04%	188.94%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	75.48%	77.40%	77.30%

- (1) Information prior to 2014 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
- (2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

See notes to required supplementary information.

2018	2017	2016	2015	2014
0.15348039%	0.14951446%	0.146608%	0.143428%	0.143428%
\$ 36,459,596	\$ 50,046,997	\$ 40,518,296	\$ 34,886,626	\$ 41,556,721
\$ 17,283,680	\$ 15,950,269	\$ 15,500,075	\$ 14,988,223	\$ 14,301,715
210.95%	313.77%	261.41%	232.76%	290.57%
75.30%	66.80%	72.10%	74.70%	69.30%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 1,075,692	\$ 1,002,055	\$ 1,009,924	\$ 895,034
Contributions in relation to the contractually required contribution	<u>(1,075,692)</u>	<u>(1,002,055)</u>	<u>(1,009,924)</u>	<u>(895,034)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 7,683,516	\$ 7,157,538	\$ 7,213,743	\$ 6,629,878
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.50%

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 827,199	\$ 776,682	\$ 676,302	\$ 659,906	\$ 596,210	\$ 571,536
<u>(827,199)</u>	<u>(776,682)</u>	<u>(676,302)</u>	<u>(659,906)</u>	<u>(596,210)</u>	<u>(571,536)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,127,403	\$ 5,547,731	\$ 4,830,729	\$ 5,006,874	\$ 4,301,659	\$ 4,129,595
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 3,375,976	\$ 2,992,118	\$ 3,015,954	\$ 2,784,089
Contributions in relation to the contractually required contribution	<u>(3,375,976)</u>	<u>(2,992,118)</u>	<u>(3,015,954)</u>	<u>(2,784,089)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 24,114,117	\$ 21,372,274	\$ 21,542,525	\$ 19,886,347
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,547,170	\$ 2,419,715	\$ 2,233,037	\$ 2,170,012	\$ 1,948,469	\$ 1,859,223
<u>(2,547,170)</u>	<u>(2,419,715)</u>	<u>(2,233,037)</u>	<u>(2,170,012)</u>	<u>(1,948,469)</u>	<u>(1,859,223)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,194,072	\$ 17,283,680	\$ 15,950,269	\$ 15,500,075	\$ 14,988,223	\$ 14,301,715
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net OPEB liability	0.20310510%	0.2113694%	0.1967144%	0.1908055%
School District's proportionate share of the net OPEB liability	\$ 3,843,930	\$ 4,593,749	\$ 4,946,953	\$ 5,293,460
School District's covered payroll	\$ 7,157,538	\$ 7,213,743	\$ 6,629,878	\$ 6,127,403
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	53.70%	63.68%	74.62%	86.39%
Plan fiduciary net position as a percentage of the total OPEB liability	24.08%	18.17%	15.57%	13.57%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

See and notes to required supplementary information.

<u>2018</u>	<u>2017</u>
0.1700484%	16.7637500%
\$ 4,563,652	\$ 4,778,289
\$ 5,547,731	\$ 4,830,729
82.26%	98.91%
12.46%	11.49%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net OPEB liability	0.17432371%	0.17141204%	0.16189720%	0.15634485%
School District's proportionate share of the net OPEB liability/(asset)	\$ (3,675,472)	\$ (3,012,563)	\$ (2,681,406)	\$ (2,512,302)
School District's covered payroll	\$ 21,372,274	\$ 21,542,525	\$ 19,886,347	\$ 18,194,072
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	-17.20%	-13.98%	-13.48%	-13.81%
Plan fiduciary net position as a percentage of the total OPEB liability	174.73%	182.10%	174.74%	176.00%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>
0.15348039%	0.14951446%
\$ 5,988,238	\$ 7,996,074
\$ 17,283,680	\$ 15,950,269
34.65%	50.13%
47.10%	37.30%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (1)	\$ 141,428	\$ 127,678	\$ 114,096	\$ 152,398
Contributions in relation to the contractually required contribution	<u>(141,428)</u>	<u>(127,678)</u>	<u>(114,096)</u>	<u>(152,398)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 7,683,516	\$ 7,157,538	\$ 7,213,743	\$ 6,629,878
OPEB contributions as a percentage of covered payroll	1.84%	1.78%	1.58%	2.30%

(1) Includes Surcharge

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 132,997	\$ 91,430	\$ 82,440	\$ 41,056	\$ 34,589	\$ 77,281
<u>(132,997)</u>	<u>(91,430)</u>	<u>(82,440)</u>	<u>(41,056)</u>	<u>(34,589)</u>	<u>(77,281)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,127,403	\$ 5,547,731	\$ 4,830,729	\$ 5,006,874	\$ 4,301,659	\$ 4,129,595
2.17%	1.65%	1.71%	0.82%	0.80%	1.87%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 24,114,117	\$ 21,372,274	\$ 21,542,525	\$ 19,886,347
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 155,001	\$ 149,882	\$ 143,017
-	-	-	(155,001)	(149,882)	(143,017)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,194,072	\$ 17,283,680	\$ 15,950,269	\$ 15,500,075	\$ 14,988,223	\$ 14,301,715
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in assumptions

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in benefit terms

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – NET PENSION LIABILITY (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions

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

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in benefit terms

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NOTE 2 – NET OPEB LIABILITY (ASSET)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in assumptions

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

Municipal Bond Index Rate:

Fiscal year 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 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

Pre-Medicare Trend Assumption

Fiscal year 2022	6.75 percent initially, decreasing to 4.40 percent
Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – NET OPEB LIABILITY (ASSET) (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (continued)

Changes in assumptions (continued)

Medicare Trend Assumption

Fiscal year 2022	5.125 percent initially, decreasing to 4.40 percent
Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Changes in benefit terms

There have been no changes to the benefit provisions.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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 percent. Valuation year per capita health care costs were updated. Healthcare cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 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.

Changes in benefit terms

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 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.

NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – NET OPEB LIABILITY (ASSET) (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (continued)

Changes in benefit terms (continued)

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 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 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1percent 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.
since the prior measurement date.

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NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Passed Through the Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$684,911
Total School Breakfast Program		684,911
National School Lunch Program	10.555	1,779,979
COVID-19 - National School Lunch Program	10.555	1,682 78,271
National School Lunch Program- Non-Cash Assistance	10.555	99,149
Total National School Lunch Program		1,959,081
Total Child Nutrition Cluster		2,643,992
COVID-19 - SNAP State/Local P-EBT	10.649	614
TOTAL U.S. DEPARTMENT OF AGRICULTURE		2,644,606
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through the Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education - Grants to States	84.027	195,055 1,011,169 14,116 9,876
COVID-19 - Special Education Grants to States		9,876
Total Special Education - Grants to States		1,230,216
Special Education - Preschool Grants	84.173	4,522 31,771 3,591
Total Special Education - Preschool Grants		39,884
Total Special Education Cluster		1,270,100
Title I Grants to Local Educational Agencies	84.010	58,206 297,683 10,693
Total Title I Grants to Local Educational Agencies		366,582
Student Support and Academic Enrichment Program	84.424	4,743
Supporting Effective Instruction State Grants	84.367	11,652 86,470 20,000
Total Supporting Effective Instruction State Grants		118,122
COVID-19 - Education Stabilization Fund	84.425D	878,858
	84.425U	332,256
Total COVID-19 - Education Stabilization Fund		1,211,114
<i>Passed Through the Educational Service Center of Lorain County:</i>		
English Language Acquisition State Grants	84.365	1,070
TOTAL U.S. DEPARTMENT OF EDUCATION		2,971,731
TOTALS		\$5,616,337

The accompanying notes are an integral part of this schedule.

**NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Ridgeville City School District (the District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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



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

North Ridgeville City School District
Lorain County
34620 Bainbridge Road
North Ridgeville, Ohio 44039

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of North Ridgeville City School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2022, 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 6, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

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 purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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 6, 2023

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(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

North Ridgeville City School District
Lorain County
34620 Bainbridge Road
North Ridgeville, Ohio 44039

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Ridgeville City School District's, Lorain County, Ohio, (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 each of North Ridgeville City School District's major federal programs for the year ended June 30, 2022. North Ridgeville 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, North Ridgeville 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, 2022.

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 each 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 6, 2023

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**NORTH RIDGEVILLE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • Education Stabilization Fund, AL 84.425 • Title I Grants to Local Educational Agencies, AL 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



NORTH RIDGEVILLE CITY SCHOOL DISTRICT

LORAIN 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 2/21/2023

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