

**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2024**





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Columbus, Ohio 43215  
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Board of Education  
Ottawa Hills Local School District  
4035 West Central Avenue  
Ottawa Hills, Ohio 43606

We have reviewed the *Independent Auditors' Report* of the Ottawa Hills Local School District, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

December 13, 2024

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1 – 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis .....	5
Statement of Activities – Modified Cash Basis .....	6 – 7
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances – Modified Cash Basis.....	8
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis .....	9
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis .....	10 – 11
Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis .....	13
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis): General Fund .....	14 – 15
Proprietary Funds:	
Statement of Net Position – Modified Cash Basis .....	16
Statement of Receipts, Disbursements and Changes in Fund Net Position – Modified Cash Basis.....	17
Notes to the Basic Financial Statements .....	19 – 58
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	60 – 61
Schedule of Findings and Responses .....	62
Schedule of Prior Audit Findings.....	63

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Ottawa Hills Local School District:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District (the "District") as of and for the year ended June 30, 2024 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 modified cash basis financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2024, and the respective changes in modified cash basis financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### ***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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' 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 – Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to 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 rise substantial doubt shortly thereafter.

#### ***Auditors' 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 auditors' 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Maumee, Ohio  
November 21, 2024

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### **Statement of Net Position – Modified Cash Basis**

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**June 30, 2024**

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	Component		
	Unit		
	Governmental Activities	Ottawa Hills	Schools Foundation
<b>Assets:</b>			
Pooled Cash and Investments	\$ 3,531,498	\$ 0	
Investments	0	1,626,009	
<b>Total Assets</b>	<b>3,531,498</b>	<b>1,626,009</b>	
<b>Net Position:</b>			
Restricted For:			
Capital Projects	55,581	0	
Debt Service	379,070	0	
Other Purposes	371,902	0	
Temporarily Restricted for Other Purposes	0	448,833	
Permanently Restricted for Endowments	0	501,098	
Unrestricted	2,724,945	676,078	
<b>Total Net Position</b>	<b>\$ 3,531,498</b>	<b>\$ 1,626,009</b>	

See accompanying notes to the basic financial statements

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Statement of Activities – Modified Cash Basis*** ***For the Fiscal Year Ended June 30, 2024***

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	<b>Program Cash Receipts</b>			
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
Instruction	\$ 11,482,414	\$ 418,359	\$ 905,423	\$ 779,992
<b>Supporting Services:</b>				
Pupils	1,641,043	0	213,689	0
Instructional Staff	509,843	0	9,070	0
Board of Education	37,797	0	0	0
Administration	1,210,508	0	0	0
Fiscal Services	645,073	0	0	0
Operation and Maintenance of Plant	1,321,640	0	0	0
Pupil Transportation	106,437	0	0	0
Central	290,643	0	7,999	0
Community Services	803,320	0	585,120	0
Extracurricular Activities	931,077	480,352	87,082	0
Capital Outlay	1,280,441	0	0	0
Principal Retirement	656,287	0	0	0
Interest and Fiscal Charges	226,252	0	0	0
<b>Total Primary Government</b>	<b><u>\$ 21,142,775</u></b>	<b><u>\$ 898,711</u></b>	<b><u>\$ 1,808,383</u></b>	<b><u>\$ 779,992</u></b>
<b>Component Unit:</b>				
Ottawa Hills Schools Foundation	<u>\$ 1,428,389</u>	<u>\$ 0</u>	<u>\$ 1,120,180</u>	<u>\$ 0</u>

### **General Cash Receipts**

Property Taxes Levied for:  
 General Purposes  
 Debt Service  
 Capital Projects  
 Intergovernmental, Unrestricted  
 Investment Earnings  
 Lease Issuance  
 Miscellaneous  
 Total General Cash Receipts

Change in Net Position

Net Position as Previously Reported  
 Change in Accounting Basis  
 Net Position Beginning of Year - Restated  
 Net Position End of Year

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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<u>Net (Disbursements) Receipts and Changes in Net Position</u>	<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Ottawa Hills Schools Foundation</u>
\$ (9,378,640)	
(1,427,354)	
(500,773)	
(37,797)	
(1,210,508)	
(645,073)	
(1,321,640)	
(106,437)	
(282,644)	
(218,200)	
(363,643)	
(1,280,441)	
(656,287)	
(226,252)	
<hr/> \$ (17,655,689)	
	<hr/> (308,209)

11,893,431	0
468,830	0
531,876	0
3,823,541	0
136,823	14,210
127,409	0
40,911	0
<hr/> 17,022,821	<hr/> 14,210
(632,868)	(293,999)
<hr/> (3,074,794)	<hr/> 2,512,167
<hr/> 7,239,160	<hr/> (592,159)
<hr/> 4,164,366	<hr/> 1,920,008
<hr/> \$ 3,531,498	<hr/> \$ 1,626,009

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Statement of Assets and Fund Balances-Modified Cash Basis***

#### ***Governmental Funds***

***June 30, 2024***

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	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled Cash and Investments	\$ 1,872,052	\$ 379,070	\$ 419,097	\$ 2,670,219
<b>Total Assets</b>	<b>\$ 1,872,052</b>	<b>\$ 379,070</b>	<b>\$ 419,097</b>	<b>\$ 2,670,219</b>
<b>Fund Balances:</b>				
Restricted	0	379,070	427,483	806,553
Assigned	335,109	0	0	335,109
Unassigned	1,536,943	0	(8,386)	1,528,557
<b>Total Fund Balances</b>	<b>\$ 1,872,052</b>	<b>\$ 379,070</b>	<b>\$ 419,097</b>	<b>\$ 2,670,219</b>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis***  
***Governmental Funds***  
***June 30, 2024***

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<b>Total Governmental Fund Balances</b>	\$ 2,670,219
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*Amounts reported for governmental activities in the statement of net position are different because*

The internal service funds are used by management to charge the costs of services to individual funds. The cash and cash equivalents of the internal service fund is included in governmental activities in the statement of net position.

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	861,279
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***Net Position of Governmental Activities***

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\$ 3,531,498
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See accompanying notes to the basic financial statements

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Statement of Receipts, Disbursements and Changes in Fund Balances***

### ***Governmental Funds – Modified Cash Basis***

***For the Fiscal Year Ended June 30, 2024***

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	General	Formerly	Formerly
		Minor Fund	Major Fund
		Bond Retirement	Permanent Improvement
<b>Receipts:</b>			
Local Sources:			
Taxes	\$ 11,893,431	\$ 468,830	\$ 0
Tuition	227,255	0	0
Investment Earnings	111,541	0	0
Extracurricular Activities	175,524	0	0
Class Materials and Fees	186,304	0	0
Intergovernmental - State	4,188,251	4,352	0
Intergovernmental - Federal	0	0	0
Donations	58,707	0	0
All Other Receipts	25,869	0	0
<b>Total Receipts</b>	<b>16,866,882</b>	<b>473,182</b>	<b>0</b>
<b>Disbursements:</b>			
Current:			
Instruction	11,186,795	0	0
Supporting Services:			
Pupils	1,442,045	0	0
Instructional Staff	511,841	0	0
Board of Education	37,797	0	0
Administration	1,226,656	0	0
Fiscal Services	631,813	8,639	0
Operation and Maintenance of Plant	1,219,887	0	0
Pupil Transportation	106,437	0	0
Central	285,494	0	0
Community Services	226,623	0	0
Extracurricular Activities	631,833	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	77,125	345,000	0
Interest and Fiscal Charges	1,025	219,350	0
<b>Total Disbursements</b>	<b>17,585,371</b>	<b>572,989</b>	<b>0</b>
Excess (Deficiency) of Receipts			
Over (Under) Disbursements	(718,489)	(99,807)	0
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	0	0
Lease Issuance	127,409	0	0
Advances In	485,000	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>612,409</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	(106,080)	(99,807)	0
<b>Fund Balance as Previously Reported</b>	<b>2,249,154</b>	<b>0</b>	<b>(1,193,269)</b>
Change in Financial Reporting Entity (Major/Minor Funds)	0	501,337	1,193,269
Change in Accounting Basis	(271,022)	(22,460)	0
<b>Fund Balances at Beginning of Year - Restated</b>	<b>1,978,132</b>	<b>478,877</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>\$ 1,872,052</b>	<b>\$ 379,070</b>	<b>\$ 0</b>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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Other Governmental Funds	Total Governmental Funds
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\$	531,876	\$	12,894,137
	0		227,255
	2,798		114,339
	304,828		480,352
	4,800		191,104
	704,095		4,896,698
	599,437		599,437
	868,774		927,481
	2,517		28,386
	<hr/>		<hr/>
	3,019,125		20,359,189

509,240	11,696,035
219,120	1,661,165
9,070	520,911
0	37,797
0	1,226,656
8,009	648,461
115,286	1,335,173
0	106,437
8,455	293,949
580,823	807,446
300,366	932,199
1,280,441	1,280,441
234,162	656,287
5,877	226,252
<hr/>	<hr/>
3,270,849	21,429,209

(251,724)	(1,070,020)
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825	825
0	127,409
0	485,000
(485,000)	(485,000)
<hr/>	<hr/>
(484,175)	128,234
(735,899)	(941,786)

582,069	1,637,954
(1,694,606)	0
2,267,533	1,974,051
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1,154,996	3,612,005
<hr/>	<hr/>
\$ 419,097	\$ 2,670,219

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

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# ***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

***Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities – Modified Cash Basis  
For the Fiscal Year Ended June 30, 2024***

**Net Change in Fund Balances - Total Governmental Funds** \$ (941,786)

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

The internal service funds, which are used by management to charge the costs of services to individual funds, are not included in the statement of activities. Governmental fund disbursements and related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

### *Change in Net Position of Governmental Activities*

\$ (632,868)

See accompanying notes to the basic financial statements

\$ (632,868)

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual (Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2024***

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts:</b>				
Local Sources:				
Taxes	\$ 12,206,195	\$ 11,790,000	\$ 11,893,431	\$ 103,431
Tuition	191,531	185,000	227,255	42,255
Investment Earnings	51,765	50,000	111,541	61,541
Extracurricular Activities	224,660	217,000	153,208	(63,792)
Class Material and Fees	0	0	89,666	89,666
Intergovernmental - State	4,095,649	3,956,000	4,188,251	232,251
Donations	20,706	20,000	0	(20,000)
All Other Receipts	14,494	14,000	25,869	11,869
<b>Total Receipts</b>	<b><u>16,805,000</u></b>	<b><u>16,232,000</u></b>	<b><u>16,689,221</u></b>	<b><u>457,221</u></b>
<b>Disbursements:</b>				
Current:				
Instruction	11,265,648	10,780,705	10,937,505	(156,800)
Supporting Services:				
Pupils	1,465,157	1,402,088	1,455,911	(53,823)
Instructional Staff	567,833	543,390	511,841	31,549
Board of Education	47,860	45,800	37,797	8,003
Administration	1,421,491	1,360,301	1,250,610	109,691
Fiscal Services	706,905	676,475	632,679	43,796
Operation and Maintenance of Plant	1,827,458	1,748,793	1,319,944	428,849
Pupil Transportation	52,586	50,322	106,437	(56,115)
Central	274,876	263,044	303,499	(40,455)
Community Services	269,835	258,220	200,529	57,691
Extracurricular Activities	647,494	619,622	630,832	(11,210)
<b>Total Disbursements</b>	<b><u>18,547,143</u></b>	<b><u>17,748,760</u></b>	<b><u>17,387,584</u></b>	<b><u>361,176</u></b>
Excess (Deficiency) of Receipts				
Over (Under) Disbursements	(1,742,143)	(1,516,760)	(698,363)	818,397

(Continued)

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	500	0	(500)
Transfers Out	(210,000)	(210,000)	(42,000)	168,000
Advances In	0	0	485,000	485,000
Refund of Prior Year Disbursements	0	5,000	55,169	50,169
<b>Total Other Financing Sources (Uses):</b>	<b>(210,000)</b>	<b>(204,500)</b>	<b>498,169</b>	<b>702,669</b>
Net Change in Fund Balance	(1,952,143)	(1,721,260)	(200,194)	1,521,066
Fund Balance at Beginning of Year	1,563,679	1,563,679	1,563,679	0
Prior Year Encumbrances	157,581	157,581	157,581	0
<b>Fund Balance at End of Year</b>	<b>\$ (230,883)</b>	<b>\$ 0</b>	<b>\$ 1,521,066</b>	<b>\$ 1,521,066</b>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Statement of Fund Net Position – Modified Cash Basis***

#### ***Proprietary Fund***

***June 30, 2024***

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	Governmental Activities - Internal Service Fund
<b>Assets:</b>	
<i>Current Assets:</i>	
Pooled Cash and Investments	\$ 861,279
<b>Total Assets</b>	<b><u>861,279</u></b>
<b>Net Position:</b>	
Unrestricted	861,279
<b>Total Net Position</b>	<b><u>\$ 861,279</u></b>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Receipts, Disbursements and Changes in Fund Net Position – Modified Cash Basis***  
***Proprietary Fund***  
***For the Fiscal Year Ended June 30, 2024***

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	Governmental Activities - Internal Service Funds
<b>Operating Receipts:</b>	
Interfund Charges	\$ 2,204,089
Other Operating Receipts	<u>399,403</u>
<b>Total Operating Receipts</b>	<u>2,603,492</u>
<b>Operating Disbursements:</b>	
Claims Disbursements	<u>2,317,058</u>
<b>Total Operating Disbursements</b>	<u>2,317,058</u>
Operating Income	286,434
<b>Nonoperating Receipts:</b>	
Investment Earnings	<u>22,484</u>
<b>Total Nonoperating Receipts</b>	<u>22,484</u>
Change in Net Position	308,918
<b>Fund Balance as Previously Reported</b>	168,749
Change in Accounting Basis	<u>383,612</u>
Net Position Beginning of Year - Restated	<u>552,361</u>
<b>Net Position End of Year</b>	<u><u>\$ 861,279</u></u>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has one component unit, the Ottawa Hills Schools Foundation (the "Foundation").

The District is a member of the Northwest Ohio Computer Association (NWOCA), the Northern Buckeye Education Council (NBEC) and the Educational Regional Service System Region 1. The aforementioned entities are jointly governed organizations that provide various services to member school districts, see Note 13 "Jointly Governed Organizations." Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

*Discretely Presented Component Unit* - The component unit column in the government-wide financial statements includes the financial data of the Foundation. It is reported in a separate column to emphasize that it is legally separate from the District. See note 17.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **A. Reporting Entity** (Continued)

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The following is a summary of the District's significant accounting policies.

#### **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

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

**Bond Retirement Fund** – This fund accounts for the accumulation of resources for the payment of general obligation debt of the District.

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

***Proprietary Funds*** - The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

**Internal Service Fund** - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The District's internal service fund accounts for premiums and costs associated with a medical, dental, and prescription drug self-insurance program.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **C. Basis of Presentation – Financial Statements**

***Government-wide Financial Statements*** – The Statement of Net Position and the Statement of Activities display information about the District as a whole. Internal service fund activity is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statement of net position presents the cash balance of the District at fiscal year end. The government-wide statement of activities presents a comparison between direct disbursements and program receipts for each function or program of the District’s governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of 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. Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

***Fund Financial Statements*** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **D. Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and at the fund level for the remaining funds. Budgetary modifications may only be made by resolution of the Board of Education.

###### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2024.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

###### **2. Estimated Resources**

Prior to January 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2024.

###### **3. Appropriations**

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the object level for the general fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Receipts, Disbursements, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

###### **4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. Budgetary Process** (Continued)

##### **5. Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	
	General Fund
Modified Cash Basis (as reported)	(\$106,080)
Encumbrances Outstanding	(116,211)
Perspective Difference:	
Activity of Funds Reclassified for Modified Cash Basis Reporting Purposes	22,097
Budget Basis	<u><u>(\$200,194)</u></u>

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of less than three months and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

##### **G. Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The District allocates interest among certain funds based upon the fund's cash balance at the date of investment. During fiscal year 2024, investments were limited to federal agency securities, marketable certificates of deposit, STAR Ohio, and money market accounts.

The District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice of 24 hours in advance of all deposits and withdrawals exceeding \$100 million is preferred. STAR Ohio reserves the right to limit the transaction to \$250 million. All accounts of the participant will be combined for these purposes.

Interest receipts credited to the General Fund during fiscal year 2024 included \$41,863 allocated by other funds.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **H. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

##### **I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

##### **J. Long-Term Obligations**

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

##### **K. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

##### **L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

##### **M. Pensions/OPEB**

For purposes of disclosing the net pension/OPEB liability/asset, 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **N. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

##### **O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Interfund transfers between governmental funds are eliminated on the Statement of Activities. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

##### **P. Fund Balance**

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

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

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **P. Fund Balance (Continued)**

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by policies of the School District Board of Education, including giving the Treasurer the authority to constrain monies for intended purposes. The School District Board of Education may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Through the District's purchasing policy the Board of Education has given the Treasurer the authority to constrain monies for intended purposes, which are also reported as assigned fund balance.

**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 District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **Q. Operating Receipts and Disbursements**

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### **NOTE 2 – FUND BALANCES**

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

Fund Balances	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Restricted:</b>				
Other Purposes	\$0	\$0	\$427,483	\$427,483
Debt Service Payments	0	379,070	0	379,070
<b>Total Restricted</b>	<b>0</b>	<b>379,070</b>	<b>427,483</b>	<b>806,553</b>
Assigned to Other Purposes	335,109	0	0	335,109
Unassigned	1,536,943	0	(8,386)	1,528,557
<b>Total Fund Balances</b>	<b>\$1,872,052</b>	<b>\$379,070</b>	<b>\$419,097</b>	<b>\$2,670,219</b>

### **NOTE 3 - COMPLIANCE**

**Financial Reporting** - Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, deferred inflows/outflows, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Budgetary** - Ohio Revised Code, Section 5705.39 requires that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom. The District's General Fund original budget reported appropriations in excess of estimated revenue in the amount of \$230,883.

**Deficit Fund Balance** – Fund balance at June 30, 2024 included the following individual fund deficits:

Nonmajor Governmental Funds	Deficit
IDEA Part B - Special Education Fund	\$5,431
Title I-A Improving Basic Programs Fund	2,407
Title II-A Supporting Effective Instruction Fund	548
<b>Total</b>	<b>\$8,386</b>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### **Notes to the Basic Financial Statements** **For the Fiscal Year Ended June 30, 2024**

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#### **NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE, CHANGE IN BASIS OF ACCOUNTING, AND RESTATEMENT OF NET POSITION/FUND BALANCE**

For fiscal year 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, “Accounting Changes and Error Corrections.”

GASB Statement No. 100 addresses accounting and financial reporting requirements for accounting changes and error corrections. The implementation of this Statement had no effect on beginning net position/fund balance.

For fiscal year 2024, the District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 1.

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net position of governmental activities are also presented.

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2023 as reported	\$2,249,154	\$501,337	(\$1,112,537)	\$1,637,954
Eliminations:				
Asset Accruals	(11,666,962)	(557,301)	(525,104)	(12,749,367)
Interfund Balances	(1,713,950)	0	1,713,950	0
Deferred Inflows	11,379,277	534,841	504,279	12,418,397
Liability Accruals	<u>1,730,613</u>	<u>0</u>	<u>574,408</u>	<u>2,305,021</u>
Fund Balance, July 1, 2023 as restated	<u><u>\$1,978,132</u></u>	<u><u>\$478,877</u></u>	<u><u>\$1,154,996</u></u>	<u><u>\$3,612,005</u></u>

	Governmental Activities	Internal Service Fund
Net Position, June 30, 2023 as reported	(\$3,074,794)	\$168,749
Eliminations:		
Asset Accruals	(12,813,119)	(63,752)
Net OPEB Asset	(1,816,804)	0
Deferred Outflows	(6,613,041)	0
Capital Assets	(21,643,540)	0
Liability Accruals	2,730,734	447,364
Net Pension Liability	19,100,063	0
Net OPEB Liability	926,208	0
Deferred Inflows	16,554,322	0
Long-term Liabilities	10,814,337	0
Net Position, July 1, 2023 as restated	<u><u>\$4,164,366</u></u>	<u><u>\$552,361</u></u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024

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### NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

#### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the 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 50 percent of the deposits being secured or a rate set by the Treasurer of State. The District's policy is to deposit funds with banking institutions which collateralize public monies in accordance with the Ohio Revised Code.

At year end the carrying amount of the District's deposits was \$860,341 and the bank balance was \$1,393,235. Federal depository insurance covered \$250,000 of the bank balance and \$1,143,235 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

#### **B. Investments**

The District's investments at June 30, 2024 were as follows:

	Cost	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$1,099,432	AAAm <sup>1</sup>	\$1,099,432	\$0	\$0
Money Market Fund	213,753	AAAm/Aaa <sup>1,2</sup>	213,753	0	0
Marketable CD's	401,153		152,240	248,913	0
FHLB	681,819	AA+/aa3 <sup>1,2</sup>	446,878	234,941	0
FHLMC	275,000	AA+/aa3 <sup>1,2</sup>	275,000	0	0
Total Investments	<u><u>\$2,671,157</u></u>		<u><u>\$2,187,303</u></u>	<u><u>\$483,854</u></u>	<u><u>\$0</u></u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Investment Credit Risk* – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## **Notes to the Basic Financial Statements** **For the Fiscal Year Ended June 30, 2024**

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### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

#### **B. Investments (Continued)**

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 41% are STAR Ohio, 44% are federal securities, and 15% are marketable certificates of deposit.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

### **NOTE 6 - TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2024 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2024 were as follows:

	2023 Second Half	2024 First Half
	Collections	Collections
Agricultural/Residential and Other Real Estate	\$179,058,610	\$179,075,300
Public Utility Personal	2,649,550	2,585,660
Total Assessed Value	<u>\$181,708,160</u>	<u>\$181,660,960</u>
Tax rate per \$1,000 of assessed valuation	\$147.05	\$146.05

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### **NOTE 7 – ADVANCES**

Following is a summary of advances in and out for all funds for June 30, 2024:

Fund	Advances In	Advances Out
General Fund	\$485,000	\$0
Other Governmental Funds	0	485,000
<b>Total All Funds</b>	<b>\$485,000</b>	<b>\$485,000</b>

In fiscal year 2017 the General Fund advanced \$2,400,000 to the Permanent Improvement Fund for various building improvements. This loan will be paid back over a 10 year period. The outstanding balance of the loan at June 30, 2024 is \$1,195,000.

### **NOTE 8- DEFINED BENEFIT PENSION PLANS**

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

***Net Pension Liability*** - The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below. 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 net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024**

### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,276,188	\$15,250,832	\$18,527,020
Proportion of the Net Pension Liability-2024	0.059292%	0.070819%	
Proportion of the Net Pension Liability-2023	0.064754%	0.070165%	
Change in Proportionate Share	<u>(0.005462%)</u>	<u>0.000654%</u>	

#### **A. School Employee Retirement System**

**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	<u>Eligible to Retire on or before August 1, 2017 *</u>	<u>Eligible to Retire on or after August 1, 2017</u>
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.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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#### NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)

##### **A. School Employee Retirement System** (Continued)

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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14 percent. No amount was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$378,000 for fiscal year 2024.

**Actuarial Assumptions** - 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. Future benefits for all current plan members were projected through 2137.

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.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## **Notes to the Basic Financial Statements** **For the Fiscal Year Ended June 30, 2024**

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### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

#### **A. School Employee Retirement System (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2023, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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 disable 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.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced 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%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u><u>100.00%</u></u>	

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)

#### A. School Employee Retirement System (Continued)

**Discount Rate** - The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$4,835,487	\$3,276,188	\$1,962,777

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System**

***Plan Description*** –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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost of-living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E) the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board’s actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 2.91 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 goes to the DC Plan 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 after termination of employment at age 50 or later.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System (Continued)**

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

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

***Funding Policy*** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2024, the employer rate was 14% and the member rate was 14% of covered payroll. The fiscal year 2024 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,248,792 for fiscal year 2024.

***Actuarial Assumptions*** - Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2023 actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

#### **B. State Teachers Retirement System (Continued)**

For 2023, Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

\*Final target weights reflected at October 1, 2022.

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024

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### NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)

#### B. State Teachers Retirement System (Continued)

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 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%)
District's proportionate share of the net pension liability	\$23,452,404	\$15,250,832	\$8,314,546

### NOTE 9- OTHER POSTEMPLOYMENT BENEFITS

**Net OPEB Liability (Asset)** - The net OPEB liability (asset) is not reported in the accompanying financial statements. The net OPEB liability (asset) has been disclosed below. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB is 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 net OPEB liability (asset) represents the District's proportionate share of each plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each 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 this estimate annually.

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

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.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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### **NOTE 9- OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the pension and OPEB plans relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability (Asset)	\$998,811	(\$1,377,332)	(\$378,521)
Proportion of the Net OPEB Liability (Asset) -2024	0.060628%	0.070819%	
Proportion of the Net OPEB Liability (Asset) -2023	0.065969%	0.070165%	
Change in Proportionate Share	(0.005341%)	0.000654%	

#### **A. School Employee Retirement System**

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

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 9- OTHER POSTEMPLOYMENT BENEFITS (Continued)**

##### **A. School Employee Retirement System (Continued)**

The SERS Retirement Board establishes 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 2024, 0.0 percent of covered payroll was contributed 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 2024, this amount was \$30,000. 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 2024, the District's surcharge obligation was \$42,250.

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 District's contractually required contribution to SERS was \$42,250 for fiscal year 2024.

**Actuarial Assumptions** - SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, 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.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### **NOTE 9- OTHER POSTEMPLOYMENT BENEFITS (Continued)**

#### **A. School Employee Retirement System (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2023, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	7.00 to 4.40 percent

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 disable 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.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a 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%, 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.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024**

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### **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

#### **A. School Employee Retirement System (Continued)**

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27%. The discount rate used to measure the total OPEB liability prior to June 30, 2023, was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2023 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.86% at June 30, 2023 and 3.69% at June 30, 2022.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). 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.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$1,276,767	\$998,811	\$779,632

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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#### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

##### A. School Employee Retirement System (Continued)

	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	\$733,792	\$998,811	\$1,349,998

##### B. State Teachers Retirement System

**Plan Description** – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2023, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund.

The District's contractually required contribution to STRS was \$0 for fiscal year 2024.

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### B. State Teachers Retirement System (Continued)

	June 30, 2023	June 30, 2022
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	(10.94) percent initial 4.14 percent ultimate	(68.78) percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	(11.95) percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	(5.47) percent initial 3.94 percent ultimate

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

For 2023, Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023 valuation are based on the results of the latest available actuarial experience study which is for the period July 1, 2015 through June 30, 2021.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### B. State Teachers Retirement System (Continued)

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

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

\*Final target weights reflected at October 1, 2022.

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

**Discount Rate** - The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. 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 of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.00% was used to measure the total OPEB liability as of June 30, 2023.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024*

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### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

#### B. State Teachers Retirement System (Continued)

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rates*** – The net OPEB liability (asset) is sensitive to changes in the discount and health care cost trend rates. To illustrate the potential impact the following table presents the net OPEB liability (asset) calculated using the discount rate of 7.00 percent, as well as what the net OPEB liability (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 rate. Also shown is the net OPEB liability (asset) calculated using a health care cost trend rate this is one percentage point lower and one percentage point higher.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB liability (asset)	(\$1,165,731)	(\$1,377,332)	(\$1,561,614)
	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability (asset)	(\$1,570,165)	(\$1,377,332)	(\$1,145,068)

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# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## **Notes to the Basic Financial Statements** **For the Fiscal Year Ended June 30, 2024**

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### **NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS**

Detail of the changes in long-term debt and other long-term obligations of the District for the fiscal year ended June 30, 2024 are as follows:

	Restated			Amount Due	
	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Within One Year
<b>Governmental Activities Debt:</b>					
General Obligation Bonds:					
School Facility Improvements	2.00-4.00%	\$7,720,000	\$0	(\$345,000)	\$7,375,000
Premium		701,243	0	(25,044)	676,199
Total General Obligation Bonds		8,421,243	0	(370,044)	8,051,199
Installment Loan:					
Chromebooks	2.51%	234,162	0	(234,162)	0
<b>Governmental Activities Other Long-Term Obligations:</b>					
Leases		485,689	127,409	(77,125)	535,973
Total Long-Term Obligations		<u>\$9,141,094</u>	<u>\$127,409</u>	<u>(\$681,331)</u>	<u>\$8,587,172</u>
					<u>\$245,843</u>

In fiscal year 2021 the District issued General Obligation Bonds in the amount of \$8,500,000 for the purpose of renovating and improving school facilities, including learning commons, updating science labs, and replacing heating and cooling systems. The bonds carry an interest rate of 2.00% to 4.00% and mature in fiscal year 2051. In fiscal year 2022 the District financed the purchase of Chromebooks with a \$685,427 installment loan. The loan carries an interest rate of 2.51% and matured in fiscal year 2024.

#### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements including principal and interest payments as of June 30, 2024, follows:

Fiscal Years	General Obligation Bonds		
	Principal	Interest	Total
2025	\$180,000	\$208,850	\$388,850
2026	190,000	201,450	391,450
2027	195,000	193,750	388,750
2028	205,000	185,750	390,750
2029	210,000	177,450	387,450
2030-2034	1,175,000	772,800	1,947,800
2035-2039	1,305,000	639,700	1,944,700
2040-2044	1,465,000	478,225	1,943,225
2045-2049	1,700,000	243,000	1,943,000
2050-2051	<u>750,000</u>	<u>22,650</u>	<u>772,650</u>
Totals	<u>\$7,375,000</u>	<u>\$3,123,625</u>	<u>\$10,498,625</u>

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024**

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### **NOTE 11 - LEASE COMMITMENTS**

The District leases several copiers. In addition, the District leases office space for the administration.

A summary of the District's future lease requirements including principal and interest payments as of June 30, 2024, follows:

Fiscal Years	Governmental Activities		
	Principal	Interest	Total
2025	\$65,843	\$12,439	\$78,282
2026	60,397	17,887	78,284
2027	63,426	14,858	78,284
2028	66,643	11,640	78,283
2029	70,064	8,221	78,285
2030-2034	209,600	15,550	225,150
Totals	<u>\$535,973</u>	<u>\$80,595</u>	<u>\$616,568</u>

### **NOTE 12 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into capital reserves. During the fiscal year ended June 30, 2024, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2023	\$0
Current Year Set-Aside Requirement	237,322
Current Year Offset Credits	(1,082,497)
Total	(\$845,175)
Cash Balance Carried Forward to FY 2025	\$0
Amount Restricted for Capital Acquisition	\$0

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

*Northwest Ohio Computer Association (NWOCA)* - The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. The District made no contributions to NWOCA during the fiscal year. Financial information can be obtained from the Northwest Ohio Computer Association, Dr. Tod Hug, Executive Director, 209 Nolan Parkway, Archbold, Ohio 43502.

*Northern Buckeye Education Council (NBEC)* - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during the fiscal year were \$84,882. To obtain financial information write to the Northern Buckeye Education Council, Dr. Tod Hug, Executive Director, 209 Nolan Parkway, Archbold, Ohio 43502.

*Educational Regional Service System Region 1* - The School District participates in the Educational Regional Service System (ERSS) Region 1, a jointly governed organization consisting of educational entities within Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services.

They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Lucas County Educational Service Center, 10142 Dowling Road, Bowling Green, Ohio, 43402.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Ottawa Hills Joint Recreation Board* - The Ottawa Hills Joint Recreation Board (OHJRB) was formed under Section 755.14(B)(1) of the Ohio Revised Code and consists of seven members. The mayor appoints one Village Council member and three community members who are approved by Village Council; and the school board president appoints one Board of Education member and two community members who are approved by the Board of Education. The OHJRB operates from the School Building with no rent charged.

#### **NOTE 14 – INSURANCE PURCHASING POOLS**

*Ohio School Plan* - The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

*The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* – The District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 15 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2024 the District contracted for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Commercial Property	\$1,000
Ohio School Plan	Crime: Employee Theft	\$5,000
Ohio School Plan	General Liability	\$0
Ohio School Plan	Crime Coverage: Forgery or Alteration/Theft of Money/ Securities/Computer Fraud/Funds Transfer/Social Engineering	\$1,000
Ohio School Plan	Employers Liability (Ohio Stop Gap)	\$0
Ohio School Plan	Fiduciary Liability	\$2,500
Ohio School Plan	Legal Liability: Errors and Omissions/Employment Practices/Declaratory, Equitable and Injunctive Relief Defense Aggregate	\$2,500
Ohio School Plan	Commercial Auto – Trucks Comprehensive	\$250
	Collision	\$500
Ohio School Plan	Commercial Auto – Bus Comprehensive	\$1,000
	Collision	\$1,000
Ohio School Plan	Pollution Coverage	\$25,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 15 - RISK MANAGEMENT** (Continued)

In fiscal 2013 the District joined the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of more than 100 members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. Employees were covered for medical and prescription drug coverage through the OME-RESA self-insured plan. OME-RESA has changed their name to The Jefferson Health Plan.

Effective January 1, 2018 the District added two additional medical insurance plans. The 2024 Option one single coverage premiums are \$942.33 and family premiums are \$2543.56. The board pays 80% of the premiums for employees opting for Option One. The 2024 Option two single coverage premiums are \$872.71 and family premiums are \$2,355.63. The board pays 91% of the premiums for employees opting for Option Two. The third plan is an H.S.A. option with single coverage premiums of \$790.83 and \$2,134.65 for family premiums in 2024. The board pays 95% of the premiums for employees opting for H.S.A. coverage. The Option One annual deductibles are \$150 for a single plan and \$300 for a family plan. The Option Two annual deductibles are \$300 for a single plan and \$600 for a family plan. The H.S.A. option deductibles are \$3,000 for a single plan and \$6,000 for a family plan.

#### **NOTE 16 - CONTINGENCIES**

##### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2024.

##### **B. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end.

##### **C. Lawsuit**

On December 30, 2021 the District was named in a lawsuit in Lucas County Common Pleas Court. The case has since been moved to Federal court. The case is in the discovery process and no estimates can be made about potential liabilities that the District may incur at this time.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## **Notes to the Basic Financial Statements** **For the Fiscal Year Ended June 30, 2024**

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### **NOTE 17 – OTTAWA HILLS SCHOOLS FOUNDATION**

The financial statements of the Ottawa Hills Schools Foundation (the “Foundation”) are included in this report in accordance with GASB Statement No. 61, *The Financial Reporting Entity – Omnibus*. This statement amended GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*, to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary government is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a primary government.

The Foundation is a legally separate, non-profit community organization whose purpose is exclusively educational and charitable and whose charge is to secure and distribute contributions from individuals, corporations and foundations for the benefit of the students in the Ottawa Hills Local School District.

Financial information can be obtained by contacting the Ottawa Hills Schools Foundation, 3600 Indian Road, Ottawa Hills, Ohio 43606.

The Foundation’s financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Investments: The Foundation’s investments are reported at cost.

The Foundation’s investments at June 30, 2024 were as follows:

	Cost	Credit Rating	Investment Maturities
			(in Years)
Money Market Mutual Funds	\$193,023	A1 <sup>1</sup>	\$193,023
REIT Mutual Fund	109,215	BB-AA <sup>1</sup>	109,215
Equity Mutual Funds	892,435	NA	892,435
Corporate Bond Mutual Funds	431,336	BB-AA <sup>1</sup>	431,336
<b>Total Investments</b>	<b>\$1,626,009</b>		<b>\$1,626,009</b>

<sup>1</sup> Standard & Poor’s

Unrestricted Net Position: Unrestricted net position represents funds which can be used by the Foundation for any purpose authorized by the Foundation’s Board of Trustees.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Position – Expendable: Restricted expendable net position include resources in which the Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024***

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#### **NOTE 17 – OTTAWA HILLS SCHOOLS FOUNDATION (Continued)**

For fiscal year 2024, the Foundation ceased to report using generally accepted accounting principles and reported on the modified cash basis. The implementation of this change had the following effect on net position as previously reported for the Foundation:

	<u>Foundation</u>
Net Position, June 30, 2023 as reported	\$2,512,167
Eliminations:	
Mark to Market	(33,241)
Pledges Receivable	<u>(558,918)</u>
Net Position, July 1, 2023 as restated	<u><u>\$1,920,008</u></u>

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Ottawa Hills Local School District:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2024, wherein we noted the District reported on the modified cash basis of accounting.

**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 entity'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2024-001.

**The District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

*Clark, Schaefer, Hackett & Co.*

Maumee, Ohio  
November 21, 2024

Ottawa Hills Local School District  
Lucas County, Ohio  
Schedule of Findings and Responses  
Year Ended June 30, 2024

**Finding Number 2024-001 – Noncompliance:**

Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). Ottawa Hills Local School District has elected to prepare and submit its annual financial report on the modified cash basis of accounting. The accompanying financial statements and notes omit material assets, liabilities, fund equities and disclosures required by GAAP.

*Management Response: The District does not have plans to correct the finding. The District will continue filing a modified cash basis financial report due to the cost of preparing a GAAP basis report.*



November 21, 2024

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR § 200.511(c)**  
**June 30, 2024**

<b>Finding Number</b>	<b>Prior Audit Finding</b>	<b>Status</b>
2023-001	The errors notated by the audit firm of Clark, Schaefer, Hackett relating to capital assets and depreciation expense occurred as an error in the method used to calculate this entry. This error led to an overstatement of non-depreciable capital assets. The error was corrected under audit.	Corrected

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# OHIO AUDITOR OF STATE KEITH FABER



OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS 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 12/26/2024

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

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