



OHIO AUDITOR OF STATE
KEITH FABER



**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY
JUNE 30, 2024**

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**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY
JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43334

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, Ohio (the School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, Ohio as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School 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 School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2025, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2025

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Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

The discussion and analysis of Highland Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2024 were as follows:

- Net position for governmental activities increased \$1,847,724, or almost 5 percent, and decreased \$181,823, for the business-type activity. As of June 30, 2024, this fund has no balances to report due to the change within the financial reporting entity for the movement of continued operations to governmental activities (the General Fund).
- General revenues were \$22,533,426, or 82 percent of total revenues, and reflect the School District's dependence on property taxes, income taxes, and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Highland Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2024. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

In the statement of net position and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Highland Park Fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. Highland Local School District's major fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Enterprise Fund - The enterprise fund uses the same basis of accounting as the business-type activity; therefore, these statements are essentially the same.

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

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2024
 Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2024 and fiscal year 2023:

Table 1
 Net Position

	Governmental Activities		Business-Type Activity		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and Other Assets	\$28,645,641	\$25,929,712	\$0	(\$63,761)	\$28,645,641	\$25,865,951
Net OPEB Asset	1,318,961	1,731,721	0	0	1,318,961	1,731,721
Capital Assets, Net	53,072,687	52,943,962	0	245,584	53,072,687	53,189,546
Total Assets	<u>83,037,289</u>	<u>80,605,395</u>	<u>0</u>	<u>181,823</u>	<u>83,037,289</u>	<u>80,787,218</u>
Deferred Outflows of Resources						
Pension	3,929,233	4,585,137	0	0	3,929,233	4,585,137
OPEB	747,022	476,739	0	0	747,022	476,739
Other Amounts	363,601	1,576,456	0	0	363,601	1,576,456
Total Deferred Outflows of Resources	<u>5,039,856</u>	<u>6,638,332</u>	<u>0</u>	<u>0</u>	<u>5,039,856</u>	<u>6,638,332</u>
Liabilities						
Current and Other Liabilities	2,995,326	3,359,563	0	0	2,995,326	3,359,563
Long-Term Liabilities						
Net Pension Liability	18,506,964	18,705,537	0	0	18,506,964	18,705,537
Net OPEB Liability	1,198,885	1,019,412	0	0	1,198,885	1,019,412
Other Amounts	14,804,709	16,856,329	0	0	14,804,709	16,856,329
Total Liabilities	<u>37,505,884</u>	<u>39,940,841</u>	<u>0</u>	<u>0</u>	<u>37,505,884</u>	<u>39,940,841</u>
Deferred Inflows of Resources						
Pension	1,226,404	1,956,634	0	0	1,226,404	1,956,634
OPEB	2,202,191	2,742,385	0	0	2,202,191	2,742,385
Other Amounts	8,187,188	5,496,113	0	0	8,187,188	5,496,113
Total Deferred Inflows of Resources	<u>11,615,783</u>	<u>10,195,132</u>	<u>0</u>	<u>0</u>	<u>11,615,783</u>	<u>10,195,132</u>
Net Position						
Net Investment in Capital Assets	40,295,789	39,823,955	0	245,584	40,295,789	40,069,539
Restricted	5,221,092	4,501,496	0	0	5,221,092	4,501,496
Unrestricted (Deficit)	(6,561,403)	(7,217,697)	0	(63,761)	(6,561,403)	(7,281,458)
Total Net Position	<u>\$38,955,478</u>	<u>\$37,107,754</u>	<u>\$0</u>	<u>\$181,823</u>	<u>\$38,955,478</u>	<u>\$37,289,577</u>

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

New Accounting Pronouncement/Restatement

For 2024, the School District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. The Highland Community Park enterprise fund presentation was adjusted from an enterprise fund to a governmental fund due to a change within the financial reporting entity for the understandability of the reliance for continued operations of this activity in governmental funds. GASB 100 does not require MD & A information for years prior to periods presented in the basic financial statements to be restated for changes within the financial reporting entity. The change resulted in increasing net position by \$181,823 in governmental activities and decreasing \$181,823 in the business-type activity at July 1, 2023. These amounts also impacted beginning net position (see Note 3).

Governmental and Business-Type Activities

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2024, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability (asset). GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

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

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

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and deferred inflows. The decrease in the net OPEB asset and net pension liability, and the increase in the net OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension, there were few changes of note in the above table. The increase in current and other assets was primarily due to an increase in property taxes and payment in lieu of tax receivable. Morrow County had a reappraisal in 2023 with collections in 2024. The School District received half a year of collection and will receive a full year collection in fiscal year 2025. In addition, the School District will begin receiving payment in lieu of taxes revenue in fiscal year 2025 for several new TIF agreements. The increase in net capital assets is due to the preschool addition that was completed in fiscal year 2024. The decrease in current and other liabilities was primarily due to a decrease in contract obligations and retainage being held for construction on a preschool addition in the prior year. The decrease in other long-term liabilities represents the continued payments of debt retirement during the fiscal year. The changes in net capital assets and other long-term liabilities caused the net investment in capital assets to increase.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for pension and OPEB plans for fiscal year 2024. This change impacted the amounts presented as net position restricted for OPEB plans and unrestricted net position. GASB 100 does not require amounts prior to those presented in the basic financial statements to be updated for a change in accounting principle.

For the business-type activity, there was no activity in fiscal year 2024 (see Note 3).

Table 2 reflects the changes in net position for fiscal year 2024 and fiscal year 2023.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Table 2
Changes in Net Position

	2024	2023	2024	2023	2024	2023
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$1,109,358	\$972,169	\$0	\$10,800	\$1,109,358	\$982,969
Operating Grants and Contributions	3,860,866	3,092,465	0	0	3,860,866	3,092,465
Capital Grants and Contributions	0	286,226	0	0	0	286,226
Total Program Revenues	<u>4,970,224</u>	<u>4,350,860</u>	<u>0</u>	<u>10,800</u>	<u>4,970,224</u>	<u>4,361,660</u>
General Revenues						
Property Taxes	\$8,780,093	\$6,289,984	\$0	\$0	\$8,780,093	\$6,289,984
Payment in Lieu of Taxes	300,833	172,000	0	0	300,833	172,000
Income Taxes Levied for General Purposes	1,822,423	1,875,024	0	0	1,822,423	1,875,024
Grants and Entitlements not Restricted to Specific Programs	10,582,466	10,627,276	0	0	10,582,466	10,627,276
Interest	752,868	246,193	0	0	752,868	246,193
Gifts and Donations	32,779	15,873	0	0	32,779	15,873
Other	261,964	218,316	0	0	261,964	218,316
Total General Revenues	<u>22,533,426</u>	<u>19,444,666</u>	<u>0</u>	<u>0</u>	<u>22,533,426</u>	<u>19,444,666</u>
Total Revenues	<u>27,503,650</u>	<u>23,795,526</u>	<u>0</u>	<u>10,800</u>	<u>27,503,650</u>	<u>23,806,326</u>
<u>Expenses</u>						
Instruction:						
Regular	9,511,686	9,467,798	0	0	9,511,686	9,467,798
Special	3,139,096	2,948,187	0	0	3,139,096	2,948,187
Vocational	524,875	488,462	0	0	524,875	488,462
Support Services:						
Pupils	2,886,059	1,890,211	0	0	2,886,059	1,890,211
Instructional Staff	288,559	298,421	0	0	288,559	298,421
Board of Education	498,972	407,410	0	0	498,972	407,410
Administration	1,744,558	1,515,408	0	0	1,744,558	1,515,408
Fiscal	769,675	632,437	0	0	769,675	632,437
Operation and Maintenance of Plant	2,316,725	2,284,751	0	0	2,316,725	2,284,751
Pupil Transportation	1,600,247	1,638,065	0	0	1,600,247	1,638,065
Central	5,669	300	0	0	5,669	300
Non-Instructional Services	1,056,962	1,146,287	0	0	1,056,962	1,146,287
Extracurricular Activities	1,083,463	988,353	0	0	1,083,463	988,353
Interest and Fiscal Charges	411,203	585,342	0	0	411,203	585,342
Highland Park	0	0	0	28,993	0	28,993
Total Expenses	<u>25,837,749</u>	<u>24,291,432</u>	<u>0</u>	<u>28,993</u>	<u>25,837,749</u>	<u>24,320,425</u>
Change in Net Position	<u>1,665,901</u>	<u>(495,906)</u>	<u>0</u>	<u>(18,193)</u>	<u>1,665,901</u>	<u>(514,099)</u>
Net Position Beginning of Year as Previously Reported	37,107,754	37,603,660	181,823	200,016	37,289,577	37,803,676
Restatement - Movement of Continuing Operations	181,823	0	(181,823)	0	0	0
Restated Net Position Beginning of Year	37,289,577	37,603,660	0	200,016	37,289,577	37,803,676
Net Position at End of Year	<u>\$38,955,478</u>	<u>\$37,107,754</u>	<u>\$0</u>	<u>\$181,823</u>	<u>\$38,955,478</u>	<u>\$37,289,577</u>

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

New Accounting Pronouncements/Restatements

The above table reflects the restatement for changes within the financial reporting entity related to the understandability of the movement of continued operations between governmental and the business-type activity for GASB Statement No. 100, *Accounting Changes and Error Corrections*. GASB 100 does not require MD & A information for years prior to periods presented in the basic financial statements to be restated for a change within the financial reporting entity. In the above table, beginning net position provides separate identification of restatements for changes within the financial reporting entity and allows the restated net position beginning of year to articulate the statement of activities.

Governmental and Business-Type Activities

Total revenues for governmental activities increased over 15 percent from the prior fiscal year. Program revenues increased overall. Charges for services increased due to extracurricular and student activities. Capital grants and contributions decreased due to State funding for bus purchases and funding from Ohio School Facilities Commission received in the previous fiscal year. The increase in operating grants and contributions was due to the receipt and recognition of COVID relief resources. For general revenues, the increase in property taxes and payment in lieu of taxes revenue is due to the property tax reappraisal and new TIF agreements, as previously discussed. The increase in investment earnings and other interest is due to higher interest rates and a rise in market values. The increase in overall expenditures is the result of salary and benefit related expenses.

For the business-type activity, there was no activity in fiscal year 2024 (see Note 3).

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Highland Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2024
 Unaudited

Table 3
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction:				
Regular	\$9,511,686	\$9,467,798	\$7,983,475	\$8,591,341
Special	3,139,096	2,948,187	1,403,198	1,329,989
Vocational	524,875	488,462	424,238	406,788
Support Services:				
Pupils	2,886,059	1,890,211	2,574,731	1,590,044
Instructional Staff	288,559	298,421	288,559	298,421
Board of Education	498,972	407,410	498,972	407,410
Administration	1,744,558	1,515,408	1,744,558	1,515,408
Fiscal	769,675	632,437	769,675	632,437
Operation and Maintenance of Plant	2,316,725	2,284,751	2,316,725	2,134,751
Pupil Transportation	1,600,247	1,638,065	1,600,247	1,501,839
Central	5,669	300	5,669	300
Non-Instructional Services	1,056,962	1,146,287	137,063	240,510
Extracurricular Activities	1,083,463	988,353	709,212	705,992
Interest	411,203	585,342	411,203	585,342
Total Expenses	\$25,837,749	\$24,291,432	\$20,867,525	\$19,940,572

As demonstrated again in the above table, general revenues are relied upon to bear the burden of the costs of programs provided by the School District. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased over 8 percent in the General Fund. Revenues increased from an increase in property taxes, payment in lieu of taxes, and interest (as discussed previously). The increase in expenditures is related to salary and benefit increases.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the fiscal year, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were due to a change in the expectations for property tax, income tax, and interest revenue. Changes from the final budget to actual revenues were due to budgeting conservatively for State foundation resources. For expenditures, changes from the original budget to the final budget and changes from final budget to actual expenditures were due to budgeting conservatively.

Highland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
Unaudited

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024, the School District had \$53,072,687 invested in capital assets (net of accumulated depreciation). Governmental additions for fiscal year 2024 included ongoing construction of soccer field improvements, completed construction on a preschool addition, two buses, and miscellaneous equipment. Disposals included one copier and one bus. For further information regarding the School District's capital assets, refer to Note 12 to the basic financial statements.

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$11,680,774, for school construction. The School District's long-term obligations also include the net pension/OPEB liability, capital loan, and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 19 to the basic financial statements.

Current Issues

Highland Local School District is located in southern Morrow County and includes a small portion of northeastern Delaware County. The School District is made up largely from a residential tax base and enjoys a rural country setting. Interstate 71 is within easy access to the School District residents and is an easy commute for many traveling to Columbus. The School District serves 1,741 students in grades PK-12.

The School District proudly offers high quality educational experience while maintaining one of the lowest overall property tax rates in the State (a total of 23.75 mills which includes 3.65 mills for bond retirement and .6 mills for permanent improvements). The School District also has a continuing one-half percent income tax which has been received since 1991.

The School District depends largely on the State's Foundation funding system. As much as two-thirds of the School District's operational funding is received from the State. The School District continues to maintain a stable financial position through conservative spending. The State's economic condition has improved, but it remains unclear as to the State's commitment of continuing to fund the direct school funding model in the next biennium.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jason Fleming, Treasurer, Highland Local School District, 6506 State Route 229, P.O. Box 98, Marengo, Ohio 43350.

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Highland Local School District
 Statement of Net Position
 June 30, 2024

Governmental
 Activities

Assets:

Equity in Pooled Cash and Cash Equivalents	\$16,778,248
Accounts Receivable	63,142
Accrued Interest Receivable	67,345
Intergovernmental Receivable	243,351
Income Taxes Receivable	782,982
Prepaid Items	34,302
Inventory Held for Resale	33,576
Materials and Supplies Inventory	15,122
Property Taxes Receivable	10,196,084
Payment in Lieu of Taxes Receivable	431,489
OPEB Asset	1,318,961
Nondepreciable Capital Assets	985,935
Depreciable Capital Assets, Net	52,086,752
Total Assets	\$83,037,289

Deferred Outflows of Resources:

Deferred Charge on Refunding	363,601
Pension	3,929,233
OPEB	747,022
Total Deferred Outflows of Resources	5,039,856

Liabilities:

Accounts Payable	76,074
Contracts Payable	29,674
Accrued Wages and Benefits Payable	2,425,532
Intergovernmental Payable	392,549
Matured Compensated Absences Payable	27,564
Accrued Interest Payable	43,933
Long-Term Liabilities:	
Due Within One Year	988,461
Due in More Than One Year	
Net Pension Liability	18,506,964
Net OPEB Liability	1,198,885
Other Amounts Due in More than One Year	13,816,248
Total Liabilities	37,505,884

Deferred Inflows of Resources:

Property Taxes	7,971,444
Payment in Lieu of Taxes	215,744
Pension	1,226,404
OPEB	2,202,191
Total Deferred Inflows of Resources	11,615,783

Net Position:

Net Investment in Capital Assets	40,295,789
Restricted For:	
Debt Service	1,470,510
Capital Projects	37,490
Cafeteria Operations	556,112
Classroom Facilities	1,518,410
OPEB Plans	1,318,961
Other Purposes	319,609
Unrestricted (Deficit)	(6,561,403)
Total Net Position	\$38,955,478

See Accompanying Notes to Basic Financial Statements

Highland Local School District
 Statement of Activities
 For the Fiscal Year Ended June 30, 2024

<u>Program Revenues</u>			
	Charges for Services	Operating Grants and Contributions	
	Expenses		
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$9,511,686	\$358,339	\$1,169,872
Special	3,139,096	111,836	1,624,062
Vocational	524,875	0	100,637
Support Services:			
Pupils	2,886,059	0	311,328
Instructional Staff	288,559	0	0
Board of Education	498,972	0	0
Administration	1,744,558	0	0
Fiscal	769,675	0	0
Operation and Maintenance of Plant	2,316,725	0	0
Pupil Transportation	1,600,247	0	0
Central	5,669	0	0
Non-Instructional Services	1,056,962	302,507	617,392
Extracurricular Activities	1,083,463	336,676	37,575
Interest	411,203	0	0
Total Governmental Activities	<u>25,837,749</u>	<u>1,109,358</u>	<u>3,860,866</u>
<u>Business-Type Activity:</u>			
Highland Park	0	0	0
Total	<u>\$25,837,749</u>	<u>\$1,109,358</u>	<u>\$3,860,866</u>

General Revenues:

Property Taxes Levied for General Purposes
 Property Taxes Levied for Classroom Facilities Purposes
 Property Taxes Levied for Debt Service Purposes
 Property Taxes Levied for Permanent Improvement Purposes
 Payment in Lieu of Taxes
 Income Taxes Levied for General Purposes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings and Other Interest
 Gifts and Donations
 Miscellaneous
 Total General Revenues

Change in Net Position

Net Position at Beginning of Year as Previously Reported

Restatement - Movement of Continuing Operations (See Note 3)

Restated Net Position Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activity	Total
(7,983,475)	\$0	(\$7,983,475)
(1,403,198)	0	(1,403,198)
(424,238)	0	(424,238)
(2,574,731)	0	(2,574,731)
(288,559)	0	(288,559)
(498,972)	0	(498,972)
(1,744,558)	0	(1,744,558)
(769,675)	0	(769,675)
(2,316,725)	0	(2,316,725)
(1,600,247)	0	(1,600,247)
(5,669)	0	(5,669)
(137,063)	0	(137,063)
(709,212)	0	(709,212)
(411,203)	0	(411,203)
(20,867,525)	0	(20,867,525)
	0	0
	(20,867,525)	(20,867,525)
7,062,128	0	7,062,128
136,226	0	136,226
1,358,726	0	1,358,726
223,013	0	223,013
300,833	0	300,833
1,822,423	0	1,822,423
10,582,466	0	10,582,466
752,868	0	752,868
32,779	0	32,779
261,964	0	261,964
22,533,426	0	22,533,426
1,665,901	0	1,665,901
37,107,754	181,823	37,289,577
181,823	(181,823)	0
37,289,577	0	37,289,577
\$38,955,478	\$0	\$38,955,478

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Highland Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2024

	General	Other Governmental	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,783,474	\$5,893,614	\$16,677,088
Accounts Receivable	61,962	1,180	63,142
Accrued Interest Receivable	67,345	0	67,345
Intergovernmental Receivable	60,021	183,330	243,351
Income Taxes Receivable	782,982	0	782,982
Interfund Receivable	58,324	0	58,324
Prepaid Items	33,805	497	34,302
Inventory Held for Resale	0	33,576	33,576
Materials and Supplies Inventory	0	15,122	15,122
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	101,160	0	101,160
Property Taxes Receivable	8,309,931	1,886,153	10,196,084
Payment in Lieu of Taxes Receivable	431,489	0	431,489
Total Assets	<u><u>\$20,690,493</u></u>	<u><u>\$8,013,472</u></u>	<u><u>\$28,703,965</u></u>
Liabilities:			
Accounts Payable	\$54,386	\$21,688	\$76,074
Contracts Payable	3,274	26,400	29,674
Accrued Wages and Benefits Payable	2,272,084	153,448	2,425,532
Intergovernmental Payable	363,335	29,214	392,549
Interfund Payable	0	58,324	58,324
Matured Compensated Absences Payable	27,514	50	27,564
Total Liabilities	<u><u>2,720,593</u></u>	<u><u>289,124</u></u>	<u><u>3,009,717</u></u>
Deferred Inflows of Resources:			
Property Taxes	6,521,318	1,450,126	7,971,444
Payment in Lieu of Taxes	215,744	0	215,744
Unavailable Revenue	277,812	199,068	476,880
Total Deferred Inflows of Resources	<u><u>7,014,874</u></u>	<u><u>1,649,194</u></u>	<u><u>8,664,068</u></u>
Fund Balances:			
Nonspendable	33,805	15,619	49,424
Restricted	101,160	3,829,661	3,930,821
Committed	555,174	2,404,289	2,959,463
Assigned	304,239	0	304,239
Unassigned (Deficit)	9,960,648	(174,415)	9,786,233
Total Fund Balances	<u><u>10,955,026</u></u>	<u><u>6,075,154</u></u>	<u><u>17,030,180</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$20,690,493</u></u>	<u><u>\$8,013,472</u></u>	<u><u>\$28,703,965</u></u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2024

Total Governmental Fund Balances	\$17,030,180
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,072,687
Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.	363,601
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Accounts Receivable	43,120
Accrued Interest Receivable	20,603
Intergovernmental Receivable	174,415
Income Taxes Receivable	111,369
Delinquent Property Taxes Receivable	<u>127,373</u>
	476,880
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest Payable	(43,933)
General Obligation Bonds Payable	(11,680,774)
Capital Loans Payable	(2,053,000)
Compensated Absences Payable	<u>(1,070,935)</u>
	(14,848,642)
The net pension liability and net OPEB liability (asset) are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in governmental funds.	
Net OPEB Asset	1,318,961
Deferred Outflows - Pension	3,929,233
Deferred Inflows - Pension	(1,226,404)
Net Pension Liability	(18,506,964)
Deferred Outflows - OPEB	747,022
Deferred Inflows - OPEB	(2,202,191)
Net OPEB Liability	<u>(1,198,885)</u>
	<u>(17,139,228)</u>
Net Position of Governmental Activities	<u><u>\$38,955,478</u></u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2024

	General	Other Governmental	Total Governmental Funds
Revenues:			
Property Taxes	\$7,062,599	\$1,718,851	\$8,781,450
Payment in Lieu of Taxes	300,833	0	300,833
Income Taxes	1,840,549	0	1,840,549
Intergovernmental	11,708,246	2,989,955	14,698,201
Investment Earnings and Other Interest	752,861	0	752,861
Tuition and Fees	463,678	0	463,678
Extracurricular Activities	68,992	336,676	405,668
Charges for Services	0	302,507	302,507
Gifts and Donations	48,695	32,595	81,290
Miscellaneous	191,377	68,587	259,964
Total Revenues	22,437,830	5,449,171	27,887,001
Expenditures:			
Current:			
Instruction:			
Regular	8,082,627	1,091,553	9,174,180
Special	2,416,821	684,351	3,101,172
Vocational	495,873	0	495,873
Support Services:			
Pupils	2,990,329	0	2,990,329
Instructional Staff	241,713	5,992	247,705
Board of Education	499,170	0	499,170
Administration	1,762,039	0	1,762,039
Fiscal	594,393	181,934	776,327
Operation and Maintenance of Plant	1,962,217	381,102	2,343,319
Pupil Transportation	1,696,595	0	1,696,595
Central	0	5,669	5,669
Non-Instructional Services	15,750	951,090	966,840
Extracurricular Activities	407,915	415,940	823,855
Capital Outlay	18,445	881,867	900,312
Debt Service:			
Principal Retirement	215,000	475,000	690,000
Interest	101,283	340,142	441,425
Interest on Capital Appreciation Bonds	0	290,000	290,000
Total Expenditures	21,500,170	5,704,640	27,204,810
Excess of Revenues Over (Under) Expenditures	937,660	(255,469)	682,191
Other Financing Sources (Uses):			
Sale of Capital Assets	2,000	0	2,000
General Obligation Bonds Issued	0	7,730,000	7,730,000
Premium on Bonds Issued	0	990,288	990,288
Payment to Refunded Bond Escrow Agent	0	(8,578,180)	(8,578,180)
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
Total Other Financing Sources (Uses)	(98,000)	242,108	144,108
Changes in Fund Balances	839,660	(13,361)	826,299
Fund Balances at Beginning of Year as Previously Reported	10,179,127	6,088,515	16,267,642
Restatement - Movement of Continuing Operations (See Note 3)	(63,761)	0	(63,761)
Restated Fund Balance at Beginning of Year	10,115,366	6,088,515	16,203,881
Fund Balances at End of Year	\$10,955,026	\$6,075,154	\$17,030,180

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2024

Changes in Fund Balances - Total Governmental Funds \$826,299

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Nondepreciable Capital Assets	911,387
Capital Outlay - Depreciable Capital Assets	478,191
Depreciation	<u>(1,506,437)</u>
	(116,859)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,000)
Gain on Disposal of Capital Assets	<u>2,000</u>
	0

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

Delinquent Property Taxes	(1,357)
Income Taxes	(18,126)
Intergovernmental	(367,595)
Investment Earnings and Other Interest	7
Tuition and Fees	<u>1,720</u>
	(385,351)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

General Obligations Bonds	475,000
Capital Loans	215,000
Payment to Refunded Bond Escrow Agent	<u>8,578,180</u>
	9,268,180

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position.

General Obligations Bonds	(7,730,000)
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(continued)

Highland Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2024
 (continued)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	\$11,904
Annual Accretion on Capital Appreciation Bonds	(132,262)
Payment of Accretion on Capital Appreciation Bonds	290,000
Unamortized Premium	(990,288)
Amortization of Premium	1,426,615
Amortization of Deferred Charge on Refunding	<u>(1,276,035)</u>
	(670,066)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (17,445)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense on the statement of activities.

Pension	(1,532,558)
OPEB	<u>162,307</u>
	(1,370,251)

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

Pension	1,805,457
OPEB	<u>55,937</u>
	1,861,394

Change in Net Position of Governmental Activities	<u><u>\$1,665,901</u></u>
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See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Variance with Final Budget	
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$5,559,729	\$6,716,871	\$6,716,871	\$0
Payment in Lieu of Taxes	171,624	171,624	171,624	0
Income Taxes	1,752,966	1,839,606	1,839,606	0
Intergovernmental	11,379,500	10,731,007	11,695,038	964,031
Interest	200,000	452,214	494,807	42,593
Tuition and Fees	337,800	462,654	464,033	1,379
Extracurricular Activities	49,000	52,017	71,085	19,068
Gifts and Donations	10,500	20,881	48,695	27,814
Miscellaneous	104,700	96,936	127,425	30,489
Total Revenues	<u>19,565,819</u>	<u>20,543,810</u>	<u>21,629,184</u>	<u>1,085,374</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,589,411	10,589,722	8,085,823	2,503,899
Special	2,371,000	2,480,036	2,413,481	66,555
Vocational	439,960	439,960	512,815	(72,855)
Support Services:				
Pupils	2,378,700	2,473,032	2,991,857	(518,825)
Instructional Staff	201,700	201,700	246,795	(45,095)
Board of Education	352,500	352,500	508,865	(156,365)
Administration	1,427,222	1,752,222	1,720,121	32,101
Fiscal	584,750	584,750	598,505	(13,755)
Operation and Maintenance of Plant	2,024,062	2,024,062	2,423,328	(399,266)
Pupil Transportation	1,473,174	1,587,356	1,727,635	(140,279)
Non-Instructional Services	13,000	15,000	12,950	2,050
Extracurricular Activities	400,100	400,100	407,950	(7,850)
Capital Outlay	215,000	127,086	18,445	108,641
Total Expenditures	<u>19,470,579</u>	<u>23,027,526</u>	<u>21,668,570</u>	<u>1,358,956</u>
Excess of Revenues Over (Under) Expenditures	<u>95,240</u>	<u>(2,483,716)</u>	<u>(39,386)</u>	<u>2,444,330</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	2,000	2,000	2,000	0
Refund of Prior Year Expenditures	300,000	79,289	79,289	0
Transfers Out	(400,000)	(400,000)	(100,000)	300,000
Total Other Financing Sources (Uses)	<u>(98,000)</u>	<u>(318,711)</u>	<u>(18,711)</u>	<u>300,000</u>
Changes in Fund Balance	(2,760)	(2,802,427)	(58,097)	2,744,330
Fund Balance at Beginning of Year *	10,110,225	10,110,225	10,110,225	0
Prior Year Encumbrances Appropriated	594,543	594,543	594,543	0
Fund Balance at End of Year	<u>\$10,702,008</u>	<u>\$7,902,341</u>	<u>\$10,646,671</u>	<u>\$2,744,330</u>

* Fund balance at the beginning of the year was restated to incorporate the change within the reporting entity as described in Note 3.

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Statement of Revenues, Expenses, and Change in Fund Net Position
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2024

	<u>Highland Park</u>
<u>Operating Revenues:</u>	\$0
<u>Operating Expenses:</u>	<u>0</u>
Change in Net Position	<u>0</u>
Net Position at Beginning of Year as Previously Reported	181,823
Restatement - Movement of Continuing Operations (See Note 3)	<u>(181,823)</u>
Restated Net Position Beginning of Year	<u>0</u>
Net Position at End of Year	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2024

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$17,628</u></u>
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Net Position:

Held in Trust for Scholarships	<u><u>\$17,628</u></u>
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See Accompanying Notes to the Basic Financial Statements

Highland Local School District
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Fiscal Year Ended June 30, 2024

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OSHAA	\$0	\$1,826
<u>Deductions:</u>		
Distributions on Behalf of OHSAA	0	1,826
Changes in Net Position	0	0
Net Position at Beginning of Year	17,628	0
Net Position at End of Year	<u>\$17,628</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 1 - Description of the School District and Reporting Entity

Highland Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1960. The School District serves an area of approximately one hundred forty-four square miles and is located in Morrow and Delaware Counties. It is staffed by one hundred eleven classified employees, one hundred thirty-nine certified teaching personnel, and thirteen administrative employees who provide services to 1,741 students and other community members. The School District currently operates a preschool, elementary school, a middle school, and a high school.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Highland Local School District.

The School District participates in two jointly governed organizations, an insurance pool, and is associated with a related organization. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Selover Public Library. These organizations are presented in Notes 23, 24, and 25 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

Fund Financial Statements

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

B. Fund Accounting

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund that accounts for the operations of a community park. For fiscal year 2024, this fund was restated to incorporate the change within the financial reporting entity for movement of continued operations as described in Note 3. As of the June 30, 2024, this fund has no balances to report.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report activities that are not required to be reported in a trust fund. The School District's private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund accounts for resources held on behalf of the Ohio School Athletic Association.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise fund and fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For the enterprise fund, the statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise activity.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings and other interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and OPEB and explained in Notes 16 and 17 to the basic financial statements.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2024, but which were levied to finance fiscal year 2025 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 16 and 17 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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

F. Cash and Investments

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

During fiscal year 2024, investments consisted of mutual funds, negotiable certificates of deposit, federal agency securities, United States Treasury securities, commercial paper, Tennessee Valley Authority Bonds, and STAR Ohio. Investments are reported at fair value or amortized cost. Fair value is based on quoted market price or current share price. 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 but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The School 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 that approximates fair value.

STAR Ohio reserves the right to limit the participant transactions to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For fiscal 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

The Board of Education has allocated interest earnings according to State statutes. Investment earnings and other interest revenue credited to the General Fund during fiscal year 2024 was \$752,861 which includes \$264,966 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expended when used. Inventory consists of donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund consists of unexpended revenues restricted for bus purchases.

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Useful Lives	Business-Type Activities Useful Lives
Land Improvements	10 - 40 years	N/A
Buildings and Building Improvements	15 - 100 years	10 years
Furniture, Fixtures, and Equipment	5 - 40 years	5-10 years
Vehicles	5 - 15 years	N/A

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

L. Interfund Assets/Liabilities

On fund financial statements, outstanding interfund loans are reported as “Interfund Receivables/Payables”. Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities.

M. Compensated Absences

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

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

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

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

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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

O. Unamortized Premiums

On government-wide financial statements, premiums and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited in the Bond Retirement Fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

P. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs and federal and state grants. Restricted net position for OPEB plans represent the corresponding restricted asset amounts held in trust by the OPEB plans for future benefits.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Fund Balance

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

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance for certain educational and extracurricular activities and student scholarships.

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

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

R. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies (continued)

S. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. 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 systems report investments at fair value.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are charges for services from concession sales, for the rental of a community park, and from donations. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

U. Estimates

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

Note 3 - Change in Accounting Principles and Change within the Financial Reporting Entity

A. Change in Accounting Principles

For fiscal year 2024, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and related guidance from GASB Implementation Guide No. 2023-1, *Implementation Guidance Update - 2023*. The School District also implemented Question 5.1 from GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 3 - Change in Accounting Principles and Change within the Financial Reporting Entity
 (continued)

Question 5.1 from Implementation Guide 2021-1 addresses the collective significance of applying the capitalization threshold to individual items in a group of assets. The School District reviewed its capital asset groupings and determined there were no asset groups where individually the assets were under the capitalization threshold yet were significant collectively.

The implementation of GASB Statement No. 100 and GASB Implementation Guides 2021-1 and 2023-1 did not have any effect on beginning net position/fund balance.

In an effort to promote comparability with other governments, the School District updated its calculation of net position restricted for OPEB plans for fiscal year 2024. This change had no impact on beginning net position, but rather reclassified the amounts presented as net position restricted for OPEB plans and unrestricted net position.

B. Change within the Financial Reporting Entity

For fiscal year 2024, the Highland Community Park enterprise fund presentation was adjusted from an enterprise fund to a governmental fund due to the understandability of the reliance of the General Fund for continuing operations of this activity.

	Change within the Financial Reporting Entity		
	6/30/2023 As Previously Reported	Movement of Continuing Operations	6/30/2023 As Restated Adjusted
Government-Wide			
Governmental Activities	\$37,107,754	\$181,823	\$37,289,577
Business-Type Activity	181,823	(181,823)	0
Total Primary Government	<u><u>\$37,289,577</u></u>	<u><u>\$0</u></u>	<u><u>\$37,289,577</u></u>
Governmental Funds			
Major Funds:			
General Fund	10,179,127	(63,761)	10,115,366
Other Governmental Funds	6,088,515	0	6,088,515
Total Governmental Funds	<u><u>\$16,267,642</u></u>	<u><u>(\$63,761)</u></u>	<u><u>\$16,203,881</u></u>
Proprietary Fund			
Enterprise Fund			
Highland Community Park	<u><u>\$181,823</u></u>	<u><u>(\$181,823)</u></u>	<u><u>\$0</u></u>
Fiduciary Funds			
Fiduciary Funds			
Private Purpose Trust Fund	<u><u>\$17,628</u></u>	<u><u>\$0</u></u>	<u><u>\$17,628</u></u>

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2024, the Title VI-B, Title I, Title IV-A and Title II-A special revenue funds had deficit fund balances, in the amount of \$92,122, \$66,053, \$5,380, and \$10,860, respectively. These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

For the fiscal year ended June 30, 2024, the Athletics and Music, Onenet Connectivity, and Title IV-A special revenue funds and the Bond Retirement debt service had final appropriations in excess of estimated resources, in the amount \$13,670, \$5,854, \$84, and \$7,754,447 respectively. The Treasurer will monitor appropriations to ensure they are within amounts available.

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	<u>General</u>
	\$839,660
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2023, Received in Cash FY 2024	2,206,733
Accrued FY 2024, Not Yet Received in Cash	(2,698,856)
Expenditure Accruals:	
Accrued FY 2023, Paid in Cash FY 2024	(2,471,255)
Accrued FY 2024, Not Yet Paid in Cash	2,720,593
Cash Adjustments:	
Unrecorded Cash Activity FY 2023	(360,050)
Unrecorded Cash Activity FY 2024	122,816
Prepaid Items	1,365
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(419,103)
Budget Basis	<u><u>(\$58,097)</u></u>

Note 6 - Deposits and Investments

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

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

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 6 - Deposits and Investments (continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 6 - Deposits and Investments (continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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

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

Investments

As of June 30, 2024, the School District had the following investments:

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Fair Value - Level One Inputs					
Mutual Funds	\$340,169	\$340,169	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	1,391,697	0	724,905	120,922	545,870
Federal Agricultural Mortgage Corporation Notes	312,739	0	0	171,445	141,294
Federal Farm Credit Bank Notes	1,612,012	492,222	143,157	142,739	833,894
Federal Home Loan Bank Notes	1,629,081	637,000	0	247,025	745,056
Federal Home Loan Mortgage Corporation Notes	236,597	0	0	236,597	0
Federal National Mortgage Association Notes	535,848	0	96,426	330,162	109,260
United States Treasury Notes/Bonds	2,725,356	128,709	97,942	779,117	1,719,588
Tennessee Valley Authority Bonds	122,275	0	0	0	122,275
Total Fair Value - Level Two Inputs	8,565,605	1,257,931	1,062,430	2,028,007	4,217,237

(continued)

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 6 - Deposits and Investments (continued)

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Amortized Cost					
Commercial Paper	\$259,576	\$259,576	\$0	\$0	\$0
Net Asset Value Per Share					
STAR Ohio	6,227,537	6,227,537	0	0	0
Total Investments	<u>\$15,392,887</u>	<u>\$8,085,213</u>	<u>\$1,062,430</u>	<u>\$2,028,007</u>	<u>\$4,217,237</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2024. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The mutual funds carry a rating of Aaa-mf by Moody's. The negotiable certificates of deposit are covered by FDIC insurance. The federal agency securities, United States Treasury securities, and Tennessee Valley Authority Bonds carry a rating of Aaa by Moody's. The commercial paper carries a rating of P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized statistical rating organization, commercial paper must be rated in the highest category at the time of purchase by two nationally recognized statistical rating organization, and STAR Ohio must maintain the highest rating provided by at least one nationally recognized statistical rating organization.

The School District's investment policy states that the School District may not invest more than 25 percent of its portfolio individually or in combination in commercial paper and/or bankers' acceptances. The following table indicates the percentage of each investment to the School District's total portfolio.

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 6 - Deposits and Investments (continued)

	Fair	Percentage of
Negotiable Certificates of Deposit	\$1,391,697	9.04%
Federal Agricultural Mortgage Corporation	312,739	2.03
Federal Farm Credit Bank	1,612,012	10.47
Federal Home Loan Bank	1,629,081	10.58
Federal Home Loan Mortgage Corporation	236,597	1.54
Federal National Mortgage Association	535,848	3.48
United States Treasury	2,725,356	17.71
Tennessee Valley Authority	122,275	0.79
Commercial Paper	259,576	1.69

Note 7 - Receivables

Receivables at June 30, 2024, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, interfund, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
School Employees Retirement System	\$34,537
State of Ohio	<u>25,484</u>
Total Major Funds	<u>60,021</u>
Other Governmental Funds	
Elementary and Secondary School Emergency Relief	8,915
Title VI-B	92,122
Title I	66,053
Title IV-A	5,380
Title II-A	<u>10,860</u>
Total Other Governmental Funds	<u>183,330</u>
Total Intergovernmental Receivables	<u><u>\$243,351</u></u>

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 8 - Income Taxes

The School District levies a voted tax of $\frac{1}{2}$ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed values as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2024 represent the collection of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien on 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 is currently assessed at varying percentages of true value.

The School District receives property taxes from Morrow and Delaware Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2024, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2024, was \$1,685,893 in the General Fund, \$34,267 in the Classroom Facilities special revenue fund, \$323,869 in the Bond Retirement debt service fund, and \$53,238 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2023, was \$1,340,165 in the General Fund, \$39,391 in the Classroom Facilities special revenue fund, \$255,399 in the Bond Retirement debt service fund, and \$42,321 in the Permanent Improvement capital projects fund.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2024 taxes were collected are:

	2023 Second-Half Collections		2024 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$266,698,640	87.35%	\$396,954,510	87.09%
Industrial/Commercial	25,722,010	8.63	45,588,450	10.00
Public Utility	12,935,660	4.02	13,280,430	2.91
Total Assessed Value	<u>\$305,356,310</u>	<u>100.00%</u>	<u>\$455,823,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$23.75		\$23.75	

Note 10 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area agreements and enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year
	2024 Taxes Abated
Community Reinvestment Area	
Morrow County	337,591
Enterprise Zone Agreement	
Morrow County	6,682
	<u>\$344,273</u>

Note 11 - Payment in Lieu of Taxes

In accordance with agreements related to tax increment financing districts, Morrow County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

	Balance at 7/01/23	Additions	Reductions	Balance at 6/30/24
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$959,535	\$0	\$0	\$959,535
Construction in Progress	1,459,101	911,387	(2,344,088)	26,400
Total Nondepreciable Capital Assets	2,418,636	911,387	(2,344,088)	985,935
Depreciable Capital Assets				
Land Improvements	3,447,446	0	0	3,447,446
Building and Building				
Improvements	60,503,143	2,344,088	0	62,847,231
Furniture, Fixtures, and Equipment	1,614,120	220,622	(6,080)	1,828,662
Vehicles	2,668,758	257,569	(61,500)	2,864,827
Total Depreciable Capital Assets	68,233,467	2,822,279	(67,580)	70,988,166
Land Improvements	(1,250,828)	(191,248)	0	(1,442,076)
Building and Building				
Improvements	(13,749,630)	(971,440)	0	(14,721,070)
Furniture, Fixtures, and Equipment	(700,706)	(140,644)	6,080	(835,270)
Vehicles	(1,761,393)	(203,105)	61,500	(1,902,998)
Total Accumulated Depreciation	(17,462,557)	(1,506,437)	67,580	(18,901,414)
Depreciable Capital Assets, Net	50,770,910	1,315,842	0	52,086,752
Governmental Activities				
Capital Assets, Net	\$53,189,546	\$2,227,229	(\$2,344,088)	\$53,072,687

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 12 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$618,679
Special	76,275
Vocational	28,748
Support Services:	
Pupils	8,427
Instructional Staff	52,668
Administration	22,336
Fiscal	4,322
Operation and Maintenance of Plant	114,556
Pupil Transportation	216,180
Noninstructional Services	94,454
Extracurricular Activities	269,792
Total Depreciation Expense	<u><u>\$1,506,437</u></u>

Note 13 - Interfund

At June 30, 2024, the General Fund had an interfund receivable, in the amount of \$58,324 from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Note 14 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the School District contracted for the following insurance coverage.

Coverage purchased from Liberty Mutual is as follows:

Buildings and Contents - replacement cost	\$103,068,528
Automobile Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Excess School District Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 14 - Risk Management (continued)

For fiscal year 2024, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 15 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2025 are as follows:

General Fund	\$419,103
Other Governmental Funds	<u>167,966</u>
Total	<u><u>\$587,069</u></u>

Note 16 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$442,068 for fiscal year 2024. Of this amount \$49,090 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, 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.

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 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 is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2024, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,363,389 for fiscal year 2024. Of this amount \$228,501 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07062640%	0.06781766%	
Prior Measurement Date	<u>0.07096320%</u>	<u>0.06687904%</u>	
Change in Proportionate Share	<u>-0.00033680%</u>	<u>0.00093862%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,902,473	\$14,604,491	\$18,506,964
Pension Expense	\$353,508	\$1,179,050	\$1,532,558

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$167,737	\$532,449	\$700,186
Changes of assumptions	27,644	1,202,759	1,230,403
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	193,187	193,187
School District contributions subsequent to the measurement date	<u>442,068</u>	<u>1,363,389</u>	<u>1,805,457</u>
Total Deferred Outflows of Resources	<u><u>\$637,449</u></u>	<u><u>\$3,291,784</u></u>	<u><u>\$3,929,233</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$32,408	\$32,408
Changes of assumptions	0	905,332	905,332
Net difference between projected and actual earnings on pension plan investments	54,852	43,770	98,622
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>81,183</u>	<u>108,859</u>	<u>190,042</u>
Total Deferred Inflows of Resources	<u><u>\$136,035</u></u>	<u><u>\$1,090,369</u></u>	<u><u>\$1,226,404</u></u>

\$1,805,457 reported as deferred outflows of resources related to pension resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2025	(\$43,663)	(\$78,642)	(\$122,305)
2026	(150,349)	(515,165)	(665,514)
2027	250,450	1,480,390	1,730,840
2028	<u>2,908</u>	<u>(48,557)</u>	<u>(45,649)</u>
Total	<u><u>\$59,346</u></u>	<u><u>\$838,026</u></u>	<u><u>\$897,372</u></u>

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - SERS

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

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

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:

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

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

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

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$5,759,850	\$3,902,473	\$2,337,986

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation are presented below:

Inflation	2.50 percent
Salary increases	From 2.5 percent to 8.5 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

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>100.00%</u>	

* Final target weights reflected at October 1, 2022.

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

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 16 - Defined Benefit Pension Plans (continued)

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 that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 payment to determine the total pension liability as of June 30, 2023.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$22,458,475	\$14,604,491	\$7,962,170

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2024, five of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 17 - Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability (asset).

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 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 School District's surcharge obligation was \$55,937.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$55,937 for fiscal year 2024. Of this amount \$55,937 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.07277240%	0.06781766%	
Prior Measurement Date	<u>0.07260720%</u>	<u>0.06687904%</u>	
Change in Proportionate Share	<u>0.00016520%</u>	<u>0.00093862%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,198,885	\$0	\$1,198,885
Net OPEB Asset	\$0	\$1,318,961	\$1,318,961
OPEB Expense	(\$89,027)	(\$73,280)	(\$162,307)

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$2,497	\$2,056	\$4,553
Changes of assumptions	405,379	194,302	599,681
Net difference between projected and actual earnings on OPEB plan investments	9,291	2,354	11,645
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	73,547	1,659	75,206
School District contributions subsequent to the measurement date	<u>55,937</u>	<u>0</u>	<u>55,937</u>
Total Deferred Outflows of Resources	<u>\$546,651</u>	<u>\$200,371</u>	<u>\$747,022</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$618,310	\$201,173	\$819,483
Changes of assumptions	340,495	870,230	1,210,725
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>147,101</u>	<u>24,882</u>	<u>171,983</u>
Total Deferred Inflows of Resources	<u>\$1,105,906</u>	<u>\$1,096,285</u>	<u>\$2,202,191</u>

\$55,937 reported as deferred outflows of resources related to OPEB resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2025	(\$194,718)	(\$404,865)	(\$599,583)
2026	(163,692)	(180,084)	(343,776)
2027	(97,385)	(67,888)	(165,273)
2028	(70,433)	(92,550)	(162,983)
2029	(58,984)	(84,801)	(143,785)
Thereafter	<u>(29,980)</u>	<u>(65,726)</u>	<u>(95,706)</u>
Total	<u>(\$615,192)</u>	<u>(\$895,914)</u>	<u>(\$1,511,106)</u>

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - SERS

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

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

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

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

<u>June 30, 2023</u>	
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
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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, Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption	
Measurement Date	6.75 to 4.40 percent
Prior Measurement Date	7.00 to 4.40 percent

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate 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 was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (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 (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$1,532,518	\$1,198,885	\$935,802
	1% Decrease (5.75% decreasing to 3.40%)	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	\$880,780	\$1,198,885	\$1,620,419

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2023, actuarial valuation compared to the prior year are presented below:

	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.

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

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 17 - Defined Benefit OPEB Plans (continued)

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 assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	\$1,116,327	\$1,318,961	\$1,495,432
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$1,503,621	\$1,318,961	\$1,096,539

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 18 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty-eight days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty-two days for all employees.

B. Health Care Benefits

The School District offers employee medical and dental benefits through Cigna and Lincoln Financial, respectively. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The School District offers life insurance to all employees through American United Life.

Note 19 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2024 were as follows:

	Balance at 6/30/23	Additions	Reductions	Balance at 6/30/24	Amounts Due Within One Year
Governmental Activities					
General Long-Term Activities					
General Obligation Bonds					
FY 2016A Refunding					
Serial Bonds (1-4%)	\$6,355,000	\$0	\$6,355,000	\$0	\$0
Term Bonds (3-3.5%)	925,000	0	145,000	780,000	150,000
Capital Appreciation Bonds (18.74-18.48%)	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	426,152	110,343	0	536,495	0
Bond Premium	1,233,402	0	1,080,473	152,929	0
Total FY 2016A Refunding	<u>9,079,554</u>	<u>110,343</u>	<u>7,580,473</u>	<u>1,609,424</u>	<u>150,000</u>
					(continued)

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 19 - Long-Term Obligations (continued)

	Balance at 6/30/23	Additions	Reductions	Balance at 6/30/24	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Activities (continued)					
General Obligation Bonds (continued)					
FY 2016B Refunding					
Serial Bonds (1-4%)	\$3,425,000	\$0	\$2,160,000	\$1,265,000	\$615,000
Capital Appreciation Bonds (10.24%)	250,000	0	250,000	0	0
Accretion on Capital Appreciation Bonds	268,081	21,919	290,000	0	0
Bond Premium	512,204	0	335,893	176,311	0
Total FY 2016B Refunding	<u>4,455,285</u>	<u>21,919</u>	<u>3,035,893</u>	<u>1,441,311</u>	<u>615,000</u>
FY 2024 Refunding					
Serial Bonds (5%)	0	7,730,000	80,000	7,650,000	0
Bond Premium	0	990,288	10,249	980,039	0
Total FY 2024 Refunding	<u>0</u>	<u>8,720,288</u>	<u>90,249</u>	<u>8,630,039</u>	<u>0</u>
Total General Obligation Bonds	<u>13,534,839</u>	<u>8,852,550</u>	<u>10,706,615</u>	<u>11,680,774</u>	<u>765,000</u>
Net Pension Liability					
SERS	3,838,242	64,231	0	3,902,473	0
STRS	14,867,295	0	262,804	14,604,491	0
Total Net Pension Liability	<u>18,705,537</u>	<u>64,231</u>	<u>262,804</u>	<u>18,506,964</u>	<u>0</u>
Net OPEB Liability					
SERS	1,019,412	179,473	0	1,198,885	0
Capital Loans Payable	2,268,000	0	215,000	2,053,000	194,000
Compensated Absences Payable	1,053,490	35,712	18,267	1,070,935	29,461
Total Governmental Activities					
Long-Term Obligations	<u>\$36,581,278</u>	<u>\$9,131,966</u>	<u>\$11,202,686</u>	<u>\$34,510,558</u>	<u>\$988,461</u>

FY 2016A Refunding School Improvement Bonds - On August 27, 2015, the School District issued general obligation bonds, in the amount of \$8,465,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$7,120,000, \$1,205,000, and \$140,000, respectively. The bonds were issued for a twenty-one fiscal year period, with maturity in fiscal year 2037. The bonds are being retired through the Bond Retirement debt service fund.

During fiscal year 2024, all of the serial bonds were currently refunded.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 19 - Long-Term Obligations (continued)

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2025	\$150,000

The remaining principal, in the amount of \$155,000, will be paid at stated maturity on December 1, 2026.

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	\$160,000

The remaining principal, in the amount of \$165,000, will be paid at stated maturity on December 1, 2028.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2030 and 2031. The maturity amount of the bonds is \$1,930,000. For fiscal year 2024, \$110,343 was accreted on the capital appreciation bonds for a total value of \$676,495 at fiscal year end.

As of June 30, 2024, the refunded bonds were fully retired.

FY 2016B Refunding School Improvement Bonds - On March 15, 2016, the School District issued general obligation bonds, in the amount of \$4,200,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$3,950,000 and \$250,000, respectively. The bonds were issued for a thirteen fiscal year period, with maturity in fiscal year 2029. The bonds are being retired through the Bond Retirement debt service fund.

As of June 30, 2024, the refunded bonds were fully retired.

FY 2024 Refunding Bonds Series 2023 – On September 13, 2023, the School District issued general obligation refunding bonds, in the amount of \$7,730,000, to partially refund bonds previously issued in fiscal year 2016 (2016A and 2016B) for improving and constructing school buildings and facilities. The refunding bond issue consisted of serial bonds, in the amount of \$7,730,000. The bonds were issued at a premium of \$990,288. The bonds were issued for a fourteen fiscal year period, with final maturity in fiscal year 2037. The bonds are being retired through the Bonds Retirement debt service fund.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 19 - Long-Term Obligations (continued)

The net proceeds of the refunding bond issue, in the amount of \$8,578,180, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the FY 2016A Refunding School Improvement Bonds and FY 2016B Refunding School Improvement Bonds. As a result, \$6,355,000 of the FY 2016A Refunding School Improvement Bonds and \$2,160,000 of the FY 2016B Refunding School Improvement Bonds are considered to be defeased and the liability for the bonds have been removed from the School District's financial statements.

Although the refunding will result in recognition of an accounting loss of \$63,180, the School District in the effect decreased its aggregate debt service payments by \$261,000 over the next fourteen years and obtained an economic gain (difference between present values of the old amount and new debt service payments) of \$105,385.

The serial bonds are subject to prior redemption on or after December 1, 2037, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

As of June 30, 2024, the partially refunded bonds are fully retired.

Capital Loans Payable - During fiscal year 2023, the School District obtained through direct placement, a bank loan, in the amount of \$2,268,000, for the construction of a preschool addition added to the elementary instructional building. The loan has an interest rate of 3.98 percent and will mature in fiscal year 2033. The loan will be retired from the General Fund.

As of June 30, 2024, \$83,180 was spent on items which were not capitalized.

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund and the Food Service, Title VI-B, Title I, and Title II-A special revenue funds.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$30,630,815 with an unvoted debt margin of \$455,823 at June 30, 2024.

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 19 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2024, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2025	\$615,000	\$150,000	\$0	\$433,900	\$1,198,900
2026	650,000	150,000	0	410,525	1,210,525
2027	665,000	155,000	0	379,575	1,199,575
2028	675,000	160,000	0	340,950	1,175,950
2029	705,000	165,000	0	300,763	1,170,763
2030-2034	2,605,000	0	140,000	2,998,875	5,743,875
2035-2037	3,000,000	0	0	230,000	3,230,000
	<u>\$8,915,000</u>	<u>\$780,000</u>	<u>\$140,000</u>	<u>\$5,094,588</u>	<u>\$14,929,588</u>

Fiscal Year Ending June 30,	Capital Loan from Direct Placement	
	Principal	Interest
2025	\$194,000	\$77,849
2026	202,000	69,968
2027	210,000	61,770
2028	218,000	53,252
2029	227,000	44,397
2030-2033	<u>1,002,000</u>	<u>81,670</u>
	<u>\$2,053,000</u>	<u>\$388,906</u>

Highland Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2024

Note 20 - Fund Balance

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

Fund Balance	General	Other Governmental	Total Governmental Funds
Nonspendable for:			
Materials and Supplies			
Inventory	\$0	\$15,122	\$15,122
Prepaid Items	<u>33,805</u>	<u>497</u>	<u>34,302</u>
Total Nonspendable	<u>33,805</u>	<u>15,619</u>	<u>49,424</u>
Restricted for:			
Athletics and Music	0	117,441	117,441
Building Construction		37,490	37,490
Bus Purchase	101,160	0	101,160
Debt Retirement	0	1,494,710	1,494,710
Education Management			
Information Systems	0	273	273
Food Service Operations	0	562,278	562,278
School Facilities Maintenance	0	1,516,734	1,516,734
Regular Instruction	0	4,473	4,473
Special Instruction	0	745	745
Student Activities	0	95,517	95,517
Total Restricted	<u>101,160</u>	<u>3,829,661</u>	<u>3,930,821</u>
Committed for:			
Building Construction	0	2,404,289	2,404,289
Technology	<u>555,174</u>	<u>0</u>	<u>555,174</u>
Total Committed	<u>555,174</u>	<u>2,404,289</u>	<u>2,959,463</u>
Assigned for:			
Educational Activities	16,448	0	16,448
Extracurricular Activities	32,597	0	32,597
Student Scholarships	6,074	0	6,074
Unpaid Obligations	<u>249,120</u>	<u>0</u>	<u>249,120</u>
Total Assigned	<u>304,239</u>	<u>0</u>	<u>304,239</u>
Unassigned (Deficit)	<u>9,960,648</u>	<u>(174,415)</u>	<u>9,786,233</u>
Total Fund Balance	<u>\$10,955,026</u>	<u>\$6,075,154</u>	<u>\$17,030,180</u>

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 21 - Set Asides

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

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2024.

<u>Capital</u> <u>Improvements</u>	
Balance June 30, 2023	\$0
Current Year Set Aside Requirement	362,320
Current Year Offsets	<u>(362,320)</u>
Balance June 30, 2024	<u><u>\$0</u></u>

Note 22 - Interfund Transfers

During fiscal year 2024, the General Fund made transfers, in the amount of \$100,000, to other governmental funds for permanent improvements.

Note 23 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Fairfield, Franklin, Jackson, Knox, Licking, Madison, Mahoning, Marion, Morrow, Muskingum, Pickaway, Richland, Trumbull, Union, and Wyandot 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 member school districts. The governing board of META consists of twelve members of participating school districts. During fiscal year 2024, the School District paid \$69,900 to META for various services.

META also serves as a purchasing cooperative made up of school districts, libraries, and related agencies to obtain prices for quality merchandise and services commonly used by the participants. All participants must pay all fees, charges, or other assessments related to this activity.

Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 23 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 24 - Insurance Pool

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 25 - Related Organization

The Selover Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Highland Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Selover Public Library, P.O. Box 25, Chesterville, Ohio 43317.

Note 26 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2024.

Highland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Note 26 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional DEW adjustments for fiscal year 2024 are not finalized. The results are determinable now, and are not material.

C. Litigation

There are currently no matters in litigation with the School District as defendant.

Note 27 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2024, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.07062640%	0.07096320%	0.07422600%	0.07087400%
School District's Proportionate Share of the Net Pension Liability	\$3,902,473	\$3,838,242	\$2,738,724	\$4,687,755
School District's Employee Payroll	\$2,934,364	\$2,410,243	\$2,482,714	\$2,492,550
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	132.99%	159.25%	110.31%	188.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.06%	75.82%	82.86%	68.55%

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

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017	2016	2015
0.06831550%	0.07312310%	0.07104080%	0.07068940%	0.07152490%	0.07557300%
\$4,087,436	\$4,187,896	\$4,244,530	\$5,173,811	\$4,081,279	\$3,824,707
\$2,358,193	\$2,402,733	\$2,359,107	\$2,200,021	\$2,158,264	\$2,011,244
173.33%	174.30%	179.92%	235.17%	189.10%	190.17%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

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

	2024	2023	2022	2021
School District's Proportion of the Net Pension Liability	0.06781766%	0.06687904%	0.067350494%	0.06745218%
School District's Proportionate Share of the Net Pension Liability	\$14,604,491	\$14,867,295	\$8,611,367	\$16,321,027
School District's Employee Payroll	\$9,273,843	\$8,819,357	\$8,243,379	\$8,488,000
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	157.48%	168.58%	104.46%	192.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.00%	78.90%	87.80%	75.50%

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

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017	2016	2015
0.06552792%	0.06783844%	0.70504630%	0.06876847%	0.06853702%	0.06882538%
\$14,491,106	\$14,916,148	\$16,748,526	\$23,018,878	\$18,941,627	\$16,740,714
\$7,748,114	\$7,725,229	\$7,819,179	\$7,277,479	\$7,114,064	\$7,145,508
187.03%	193.08%	214.20%	316.30%	266.26%	234.28%
77.40%	77.30%	75.30%	66.80%	72.10%	74.70%

Highland Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability	0.07277240%	0.07260720%	0.07614670%	0.07301150%
School District's Proportionate Share of the Net OPEB Liability	\$1,198,885	\$1,019,412	\$1,441,140	\$1,586,779
School District's Employee Payroll	\$2,934,364	\$2,410,243	\$2,482,714	\$2,492,550
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	40.86%	42.29%	58.05%	63.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.02%	30.34%	24.08%	18.17%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017
0.07024100%	0.07399890%	0.07202870%	0.07170600%
\$1,766,413	\$2,052,929	\$1,933,060	\$2,043,886
\$2,358,193	\$2,402,733	\$2,359,107	\$2,200,021
74.91%	85.44%	81.94%	92.90%
15.57%	13.57%	12.46%	11.49%

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

	2024	2023	2022	2021
School District's Proportion of the Net OPEB Liability (Asset)	0.06781766%	0.06687904%	0.067350494%	0.06745218%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,318,961)	(\$1,731,721)	(\$1,420,030)	(\$1,185,471)
School District's Employee Payroll	\$9,273,843	\$8,819,357	\$8,243,379	\$8,488,000
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.22%	-19.64%	-17.23%	-13.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	168.50%	230.70%	174.70%	182.10%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017
0.06552792%	0.06783844%	0.07050463%	0.06876847%
(\$1,085,301)	(\$1,090,094)	\$2,750,831	\$3,677,756
\$7,748,114	\$7,725,229	\$7,819,179	\$7,277,479
-14.01%	-14.11%	35.18%	50.54%
174.70%	176.00%	47.10%	37.30%

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

	2024	2023	2022	2021
Net Pension Liability				
Contractually Required Contribution	\$442,068	\$410,811	\$337,434	\$347,580
Contributions in Relation to the Contractually Required Contribution	<u>(442,068)</u>	<u>(410,811)</u>	<u>(337,434)</u>	<u>(347,580)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Employee Payroll (1)	\$3,157,629	\$2,934,364	\$2,410,243	\$2,482,714
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$55,937	\$53,725	\$47,655	\$47,116
Contributions in Relation to the Contractually Required Contribution	<u>(55,937)</u>	<u>(53,725)</u>	<u>(47,655)</u>	<u>(47,116)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.77%</u>	<u>1.83%</u>	<u>1.98%</u>	<u>1.90%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u><u>15.77%</u></u>	<u><u>15.83%</u></u>	<u><u>15.98%</u></u>	<u><u>15.90%</u></u>

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

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017	2014	2015
\$348,957	\$318,356	\$324,369	\$330,275	\$308,003	\$284,459
(348,957)	(318,356)	(324,369)	(330,275)	(308,003)	(284,459)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,492,550	\$2,358,193	\$2,402,733	\$2,359,107	\$2,200,021	\$2,158,264
14.00%	13.50%	13.50%	14.00%	14.00%	13.18%
\$44,377	\$55,747	\$53,530	\$38,974	\$36,583	\$55,963
(44,377)	(55,747)	(53,530)	(38,974)	(36,583)	(55,963)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
1.78%	2.36%	2.23%	1.65%	1.66%	2.59%
<u>15.78%</u>	<u>15.86%</u>	<u>15.73%</u>	<u>15.65%</u>	<u>15.66%</u>	<u>15.77%</u>

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

	2024	2023	2022	2021
Net Pension Liability				
Contractually Required Contribution	\$1,363,389	\$1,298,338	\$1,234,710	\$1,154,073
Contributions in Relation to the Contractually Required Contribution	<u>(1,363,389)</u>	<u>(1,298,338)</u>	<u>(1,234,710)</u>	<u>(1,154,073)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Employee Payroll	\$9,738,493	\$9,273,843	\$8,819,357	\$8,243,379
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

2020	2019	2018	2017	2016	2015
\$1,188,320	\$1,084,736	\$1,081,532	\$1,094,685	\$1,018,847	\$995,969
<u>(1,188,320)</u>	<u>(1,084,736)</u>	<u>(1,081,532)</u>	<u>(1,094,685)</u>	<u>(1,018,847)</u>	<u>(995,969)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$8,488,000	\$7,748,114	\$7,725,229	\$7,819,179	\$7,277,479	\$7,114,064
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
 \$0	 \$0	 \$0	 \$0	 \$0	 \$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Highland Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Net Pension Liability

Changes in Benefit Terms/Assumptions - SERS

Beginning in fiscal year 2018, on each anniversary of the initial retirement, the allowance of all retirees and survivors may be increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent nor greater than 2.5 percent. The COLA was suspended for 2018-2020. Prior to 2018, an assumption of 3 percent was used. For 2021, the cost-of-living adjustment was reduced from 2.5 percent to 2 percent. For 2023 and 2024, the cost-of-living adjustment was increased from 2 percent to 2.5 percent.

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

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

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

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

Highland Local School District
 Notes to the Required Supplementary Information
 For the Fiscal Year Ended June 30, 2024

Changes in Assumptions - STRS

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

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	Varies by Service from 2.5 percent to 8.5 percent	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	See Below	See Below	See Below
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustment (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring after August 1, 2013, or later, COLA commences on fifth anniversary of retirement date.

Investment rate of return:

Fiscal Years 2022 through 2024	7.00 percent, net of investment expenses, including inflation
Fiscal Years 2018 through 2021	7.45 percent, net of investment expenses, including inflation
Fiscal Year 2017 and prior	7.75 percent, net of investment expenses, including inflation

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

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

Highland Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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

Changes in Benefit Term - STRS Pension

For 2024, demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015, through June 30, 2021.

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

Net OPEB Liability

Changes in Assumptions - SERS

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

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

Highland Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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

Municipal Bond Index Rate:

Fiscal year 2024	3.86 percent
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2024	4.27 percent
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

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

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

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

For fiscal year 2023, the projected salary increases were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

Changes in Benefit Terms - STRS OPEB

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

Highland Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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

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

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

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

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

For fiscal year 2024, healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Child Nutrition Cluster		
Cash Assistance		
School Breakfast Program	10.553	\$ 96,684
COVID-19 National School Lunch Program	10.555	45,437
National School Lunch Program	10.555	347,572
Non-Cash Assistance		
National School Lunch Program	10.555	60,506
Total Child Nutrition Cluster		550,199
Total U.S. Department of Agriculture		550,199
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education and Workforce</i>		
Title I Grants to Local Educational Agencies	84.010 A	213,872
Special Education Cluster		
Special Education - Grants to States	84.027 A	399,222
COVID-19 Special Education Grants to States	84.027 X	18,267
Special Education - Preschool Grants	84.173 A	12,013
Total Special Education Cluster		429,502
Supporting Effective Instruction State Grants	84.367 A	56,637
Student Support and Academic Enrichment Program	84.424 A	13,915
Student Support and Academic Enrichment Program	84.424 F	8,868
Total Student Support and Academic Enrichment Program		22,783
COVID-19 Education Stabilization Fund	84.425 U	1,077,069
COVID-19 Education Stabilization Fund	84.425 W	15,614
Total COVID-19 Education Stabilization Fund		1,092,683
Total U.S. Department of Education		1,815,477
Total Expenditures of Federal Awards	\$	2,365,676

The accompanying notes are an integral part of this schedule.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Highland Local School District (the School District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



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

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43334

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, (the School District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School 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 School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Highland Local School District
Morrow County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2025



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

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43334

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Highland Local School District's, Morrow County, (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Highland Local School District's major federal program for the year ended June 30, 2024. Highland Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Highland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Highland Local School District

Morrow County

Independent Auditor's Report on Compliance with Requirements

Applicable to the Major Federal Program and on Internal Control Over Compliance

Required by the Uniform Guidance

Page 3

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

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

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



Keith Faber

Auditor of State

Columbus, Ohio

January 23, 2025

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HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	ALN 84.425 COVID-19 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND LOCAL SCHOOL DISTRICT

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/13/2025

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