



OHIO AUDITOR OF STATE
KEITH FABER



**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY
JUNE 30, 2025**

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**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY
JUNE 30, 2025**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Hillsboro City School District
Highland County
39 Willettsville Pike
Hillsboro, Ohio 45133

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2025, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 14, 2026

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Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

The discussion and analysis of Hillsboro City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Net position of governmental activities increased \$2,903,508 which represents a 9% increase from 2024.
- General revenues accounted for \$32,237,209 in revenue or 81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,669,735 or 19% of total revenues of \$39,906,944.
- The District had \$37,003,436 in expenses related to governmental activities; \$7,669,735 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,237,209 were also used to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2025?" The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

Fiduciary Funds - The District's only fiduciary fund is a custodial fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2025 and 2024:

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Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

(Table 1)
Net Position
Governmental Activities

	2025	2024	Change in Net Position
Assets:			
Current and Other Assets	\$31,065,592	\$30,349,587	\$716,005
Net OPEB Asset	1,852,230	1,961,171	(108,941)
Capital Assets, Net	54,966,258	57,773,831	(2,807,573)
Total Assets	87,884,080	90,084,589	(2,200,509)
Deferred Outflows of Resources:			
Deferred Charge on Refunding	61,919	80,775	(18,856)
Pension	5,091,522	5,853,413	(761,891)
OPEB	954,016	1,103,057	(149,041)
Total Deferred Outflows of Resources	6,107,457	7,037,245	(929,788)
Liabilities:			
Other Liabilities	4,491,751	4,186,074	305,677
Long-Term Liabilities			
Due Within One Year	2,584,527	1,735,696	848,831
Due In More Than One Year:			
Net Pension Liability	24,404,575	28,017,961	(3,613,386)
Net OPEB Liability	1,130,916	1,887,485	(756,569)
Other Amounts	8,961,021	6,194,157	2,766,864
Total Liabilities	41,572,790	42,021,373	(448,583)
Deferred Inflows of Resources:			
Property Taxes	10,348,452	12,001,405	(1,652,953)
Pension	3,560,168	1,978,239	1,581,929
OPEB	3,076,917	3,245,614	(168,697)
Total Deferred Inflows of Resources	16,985,537	17,225,258	(239,721)
Net Position:			
Net Investment in Capital Assets	50,129,873	51,414,979	(1,285,106)
Restricted	5,162,869	5,115,835	47,034
Unrestricted (Deficit)	(19,859,532)	(18,655,611)	(1,203,921)
Total Net Position	\$35,433,210	\$37,875,203	(\$2,441,993)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2025. 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

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

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 District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current and other assets increased \$716,005 due mainly to an increase in equity in pooled cash and investments during the fiscal year. Capital assets, net decreased \$2,807,573, due primarily to additions related to building and land improvements being less than depreciation during the fiscal year.

Total liabilities decreased \$448,583 due to a decrease in both the net pension liabilities for both SERS and STRS. Deferred inflows of resources decreased mainly due to the change in the net difference between projected and annual earnings on pension plan investments compared to the prior fiscal year.

Net Invested in Capital Assets decreased \$1,285,106 due to an increase in current year long-term debt. Unrestricted net position for governmental activities decreased \$1,203,921, due to the changes in the State-wide pension systems' assumptions and benefit terms.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2025 and 2024.

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Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

(Table 2)
Changes in Net Position
Governmental Activities

	2025	2024	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,019,888	\$1,402,056	(\$382,168)
Operating Grants, Contributions and Interest	6,649,847	7,737,028	(1,087,181)
Total Program Revenues	7,669,735	9,139,084	(1,469,349)
General Revenues:			
Property Taxes	10,548,958	8,861,880	1,687,078
Income Taxes	4,242,376	4,058,280	184,096
Grants and Entitlements not Restricted to Specific Programs	16,372,040	15,703,593	668,447
Interest	670,040	703,044	(33,004)
Miscellaneous	403,795	671,217	(267,422)
Total General Revenues	32,237,209	29,998,014	2,239,195
Total Revenues	39,906,944	39,137,098	769,846
Program Expenses:			
Instruction	21,687,140	22,576,357	(889,217)
Support Services:			
Pupils and Instructional Staff	3,276,534	3,424,943	(148,409)
Board of Education, Administration, Fiscal and Business	3,347,302	3,241,259	106,043
Operations and Maintenance of Plant	3,088,767	2,804,420	284,347
Pupil Transportation	2,336,916	2,329,504	7,412
Central	117,576	81,673	35,903
Operation of Non-Instructional Services	2,248,128	2,384,670	(136,542)
Extracurricular Activities	1,099,920	1,137,888	(37,968)
Interest and Fiscal Charges	162,825	208,110	(45,285)
Total Expenses	37,365,108	38,188,824	(823,716)
Change in Net Position	2,541,836	948,274	1,593,562
Net Position at Beginning of Year, Restated	32,891,374	36,926,929	(4,035,555)
Net Position at End of Year	\$35,433,210	\$37,875,203	(\$2,441,993)

Governmental Activities

Program revenues, which are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues, were \$7,669,735 of total revenues for fiscal year 2025. The decrease in program revenues was \$1,469,349 from the prior fiscal year. Operating grants decreased primarily due to a decrease in receiving grant monies during fiscal year 2025.

Overall, expenses decreased \$823,716 predominately due to a decrease in instruction expenses.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$25,578,813 (82%) of the total \$31,322,820 governmental fund assets.

General Fund: Fund balance at June 30, 2025 was \$11,594,904. Fund balance increased \$1,648,160 from the prior year. The reason for the increase in fund balance was due to revenues being more than expenditures for the year.

General Fund - Budget Highlights

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

During the course of fiscal year 2025, the District amended its general fund budget, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$30,743,261 with a final budget estimate of \$33,183,199. The variance was \$2,439,938 due to underestimating tax and intergovernmental revenues for the year.

Original budget basis appropriations were \$32,191,323 with final budget basis appropriations of \$36,500,000. The variance was \$4,308,677. Actual expenditures were lower than final budget estimates mostly due to the District closely monitoring expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2025, the District had \$55,327,930 invested in capital assets (net of accumulated depreciation/amortization), a decrease of \$2,428,575. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, intangible right to use, vehicles and textbooks. For further information regarding the District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At fiscal year end, the District had \$4,898,304 in general obligation bonds, lease and notes payable, \$1,544,467 due within one year. Table 5 summarizes bonds and notes outstanding at year end.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2025	2024
Bonds Payable and Other Debts		
School Improvements Refunding Bonds - 2011	\$2,300,000	\$2,825,000
Premium on Refunding Bonds - 2011	42,873	57,164
School Improvements Refunding Bonds - 2014	665,000	870,000
Premium on Refunding Bonds - 2014	54,964	70,669
Financed Purchase Payable	1,821,000	2,585,000
Lease	14,467	31,794
Total Outstanding Debt at Year End	<u>\$4,898,304</u>	<u>\$6,439,627</u>

For more information about debt, refer to note 14 to the basic financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Ben Teeters, Treasurer at Hillsboro City School District, 39 Willettsville Pike, Hillsboro, Ohio 45133.

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Hillsboro City School District, Ohio
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,647,159
Restricted Cash and Investments	1,188,852
Receivables (Net):	
Taxes	13,528,922
Interest	57,574
Intergovernmental	588,320
Prepays	28,052
Materials and Supplies Inventory	1,827
Inventory Held for Resale	24,886
Net OPEB Asset	1,852,230
Nondepreciable Capital Assets	849,342
Depreciable Capital Assets, Net	54,116,916
Total Assets	87,884,080
Deferred Outflows of Resources:	
Deferred Charge on Refunding	61,919
Pension	5,091,522
OPEB	954,016
Total Deferred Outflows of Resources	6,107,457
Liabilities:	
Accounts Payable	127,606
Accrued Wages and Benefits	3,036,688
Accrued Interest Payable	12,605
Payroll Withholdings Payable	8,422
Claims Payable	1,306,430
Long-Term Liabilities:	
Due Within One Year	2,584,527
Due In More Than One Year	
Net Pension Liability	24,404,575
Net OPEB Liability	1,130,916
Other Amounts	8,961,021
Total Liabilities	41,572,790
Deferred Inflows of Resources:	
Property Taxes	10,348,452
Pension	3,560,168
OPEB	3,076,917
Total Deferred Inflows of Resources	16,985,537
Net Position:	
Net Investment in Capital Assets	50,129,873
Restricted for:	
Debt Service	720,277
Capital Projects	1,045,314
Food Service Operations	1,088,871
Classroom Facilities	101,900
Extracurricular Activities	171,702
Student Managed Activities	140,322
Miscellaneous State and Federal Grants	42,253
OPEB Plans	1,852,230
Unrestricted (Deficit)	(19,859,532)
Total Net Position	\$35,433,210

See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$16,221,909	\$558,296	\$174,483	(\$15,489,130)
Special	5,366,290	85,800	3,192,583	(2,087,907)
Vocational	98,941	0	91,070	(7,871)
Support Services:				
Pupil	2,098,239	0	522,304	(1,575,935)
Instructional Staff	1,178,295	87	107,767	(1,070,441)
General Administration	28,531	0	0	(28,531)
School Administration	2,336,873	0	76,536	(2,260,337)
Fiscal	976,362	0	0	(976,362)
Business	5,536	0	0	(5,536)
Operations and Maintenance	3,088,767	2,978	81,683	(3,004,106)
Pupil Transportation	2,336,916	0	168,644	(2,168,272)
Central	117,576	0	9,956	(107,620)
Operation of Non-Instructional Services	2,248,128	102,303	2,143,616	(2,209)
Extracurricular Activities	1,099,920	270,424	81,205	(748,291)
Interest on Long-Term Debt	162,825	0	0	(162,825)
Totals	<u>\$37,365,108</u>	<u>\$1,019,888</u>	<u>\$6,649,847</u>	<u>(29,695,373)</u>
General Revenues:				
Income Taxes				4,242,376
Property Taxes Levied for:				
General Purposes				9,078,596
Debt Service				858,958
Capital Outlay				611,404
Grants and Entitlements, Not Restricted				16,372,040
Unrestricted Contributions				81,081
Investment Earnings				670,040
Other Revenues				<u>322,714</u>
Total General Revenues				<u>32,237,209</u>
Change in Net Position				2,541,836
Net Position - Beginning of Year, as Previously Reported				37,875,203
Change in Accounting Principle				<u>(4,983,829)</u>
Net Position - Beginning of Year, Restated				<u>32,891,374</u>
Net Position - End of Year				<u>\$35,433,210</u>

See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$12,359,708	\$3,287,451	\$15,647,159
Restricted Cash and Investments	1,188,852	0	1,188,852
Receivables (Net):			
Taxes	11,694,704	1,834,218	13,528,922
Interest	53,137	4,437	57,574
Intergovernmental	0	588,320	588,320
Interfund	257,228	0	257,228
Prepays	25,184	2,868	28,052
Materials and Supplies Inventory	0	1,827	1,827
Inventory Held for Resale	0	24,886	24,886
Total Assets	25,578,813	5,744,007	31,322,820
Liabilities:			
Accounts Payable	80,085	47,521	127,606
Accrued Wages and Benefits	2,708,639	328,049	3,036,688
Compensated Absences	28,201	0	28,201
Payroll Withholdings Payable	8,422	0	8,422
Interfund Payable	0	257,228	257,228
Claims Payable	1,306,430	0	1,306,430
Total Liabilities	4,131,777	632,798	4,764,575
Deferred Inflows of Resources:			
Property Taxes	9,541,965	1,766,982	11,308,947
Income Taxes	286,478	0	286,478
Grants and Other Taxes	0	10,907	10,907
Unavailable Revenue	23,689	1,978	25,667
Total Deferred Inflows of Resources	9,852,132	1,779,867	11,631,999
Fund Balances:			
Nonspendable	25,184	4,695	29,879
Restricted	1,112,900	3,355,880	4,468,780
Committed	165,524	0	165,524
Assigned	2,482,851	0	2,482,851
Unassigned	7,808,445	(29,233)	7,779,212
Total Fund Balances	11,594,904	3,331,342	14,926,246
Total Liabilities, Deferred Inflows and Fund Balances	\$25,578,813	\$5,744,007	\$31,322,820

See accompanying notes to the basic financial statements

Hillsboro City School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2025

Total Governmental Fund Balance		\$14,926,246
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets used in the operation of Governmental Funds		54,966,258
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Income Taxes	286,478	
Delinquent Property Tax	960,495	
Interest	25,667	
Intergovernmental	10,907	
		1,283,547

In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.

(12,605)

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.

Compensated Absences		(6,619,043)
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Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.

61,919

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	5,091,522	
Deferred inflows of resources related to pensions	(3,560,168)	
Deferred outflows of resources related to OPEB	954,016	
Deferred inflows of resources related to OPEB	(3,076,917)	
		(591,547)

Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.

Net OPEB Asset	1,852,230	
Net Pension Liability	(24,404,575)	
Net OPEB Liability	(1,130,916)	
Other Amounts	(4,898,304)	
		(28,581,565)

Net Position of Governmental Activities		<u>\$35,433,210</u>
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See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$8,917,360	\$1,447,025	\$10,364,385
Income Taxes	4,232,331	0	4,232,331
Tuition and Fees	618,867	0	618,867
Investment Earnings	603,128	49,282	652,410
Intergovernmental	18,783,969	4,191,199	22,975,168
Extracurricular Activities	56,031	227,349	283,380
Charges for Services	21,579	96,014	117,593
Contributions and Donations	81,081	81,205	162,286
Other Revenues	63,522	259,238	322,760
Total Revenues	33,377,868	6,351,312	39,729,180
Expenditures:			
Current:			
Instruction:			
Regular	14,226,012	30,103	14,256,115
Special	4,089,621	1,474,941	5,564,562
Vocational	179,022	0	179,022
Support Services:			
Pupil	2,129,353	58,348	2,187,701
Instructional Staff	1,080,439	107,539	1,187,978
General Administration	29,286	0	29,286
School Administration	2,417,372	0	2,417,372
Fiscal	949,366	41,061	990,427
Business	5,536	0	5,536
Operations and Maintenance	2,522,972	105,358	2,628,330
Pupil Transportation	2,175,901	40,000	2,215,901
Central	111,056	9,956	121,012
Operation of Non-Instructional Services	10,634	2,240,503	2,251,137
Extracurricular Activities	525,409	524,642	1,050,051
Capital Outlay	459,134	592,663	1,051,797
Debt Service:			
Principal Retirement	17,327	1,494,000	1,511,327
Interest and Fiscal Charges	51	177,264	177,315
Total Expenditures	30,928,491	6,896,378	37,824,869
Excess of Revenues Over (Under) Expenditures	2,449,377	(545,066)	1,904,311
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	11,993	0	11,993
Transfers In	0	813,210	813,210
Transfers (Out)	(813,210)	0	(813,210)
Total Other Financing Sources (Uses)	(801,217)	813,210	11,993
Net Change in Fund Balance	1,648,160	268,144	1,916,304
Fund Balance - Beginning of Year	9,946,744	3,063,198	13,009,942
Fund Balance - End of Year	\$11,594,904	\$3,331,342	\$14,926,246

See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025

Net Change in Fund Balance - Total Governmental Funds \$1,916,304

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

Governmental funds report capital asset additions as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation
expense. This is the amount of the difference between capital
asset additions and depreciation in the current period.

Capital assets used in governmental activities	921,345	
Depreciation Expense	(3,727,908)	
		(2,806,563)

Governmental funds only report the disposal of assets to the
extent proceeds are received from the sale. In the statement
of activities, a gain or loss is reported for each disposal. The
amount of the proceeds must be removed and the gain or loss
on the disposal of capital assets must be recognized. This is the
amount of the difference between the proceeds and the gain or loss. (1,010)

Governmental funds report district pension contributions as
expenditures. However in the Statement of Activities, the cost
of pension benefits earned net of employer contributions are
reported as pension and OPEB expense.

Pension Contributions	2,580,201	
Pension Expense	(1,310,634)	
OPEB Contributions	79,007	
OPEB Expense	588,276	
		1,936,850

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

Income Taxes	10,045	
Delinquent Property Taxes	184,573	
Interest	17,630	
Intergovernmental	(34,484)	
		177,764

Repayment of bond, accreted interest and lease principal is
an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net position.

Principal Payments	1,511,327
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In the statement of activities interest expense is accrued when incurred;
whereas, in governmental funds an interest expenditure is reported
when due. 3,350

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Compensated Absences	(207,326)	
Amortization of Bond Premium	29,996	
Amortization of Deferred Charge on Refunding	(18,856)	
		(196,186)

Change in Net Position of Governmental Activities:	\$2,541,836
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See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	Custodial Fund
Assets:	
Equity in Pooled Cash and Investments	<u>\$188,918</u>
Total Assets	<u>188,918</u>
Liabilities:	
Accounts Payable	<u>188,918</u>
Total Liabilities	<u>\$188,918</u>

See accompanying notes to the basic financial statements.

Hillsboro City School District, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2025

	Custodial Fund
Additions:	
Contributions and Donations	\$1,000
Investment Earnings	7,036
Total Additions	8,036
Deductions:	
Non-Instructional Services	8,036
Total Deductions	8,036
Change in Net Position	0
Net Position - Beginning of Year	0
Net Position - End of Year	\$0

See accompanying notes to the basic financial statements.

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Hillsboro City School District (the District) operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3307.7 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies.

Reporting Entity:

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

Parochial Schools – Within the District boundaries, Hillsboro Christian Academy is operated as a private school. Current State legislation provides funding to this parochial school. Monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. This activity is reflected in a special revenue fund and as part of governmental activities for financial reporting purposes.

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

The District participates in two jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 18 and 19 to the basic financial statements. These organizations are:

Jointly Governed Organization:

Miami Valley Educational Computer Association
South Central Ohio Insurance Consortium

Insurance Purchasing Pool:

Ohio SchoolComp Group Retrospective Rating Program

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hillsboro City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements usually distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The 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 District fall within two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

General Fund - The General Fund is the operating fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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 benefits) trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for various scholarships within the District.

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the 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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from pension (and other employee benefit) trust, investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources are collectible 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 District, "available" means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Notes 6 and 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: accrued interest, property taxes available for advance, income taxes and grants.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported in the

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 11 and 12.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources included property taxes, income taxes, grants and other taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, income taxes, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 11 and 12).

Expenses/Expenditures:

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

During fiscal year 2025, the District's investments were limited to commercial paper, money market mutual funds, negotiable certificates of deposit, and federal home loan bank bonds. Investments, except

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

for money market mutual funds and commercial paper, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price. The 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 less than one year.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings credited to the General Fund during fiscal year 2025 amounted to \$603,128 and \$49,282 in Other Governmental Funds.

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

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 or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund include the amount required by State statute to be set aside to create a reserve for capital acquisitions and for budget stabilization.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". These amounts are eliminated in the governmental columns of the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

All capital assets (except for intangible right-to-use lease assets which are discussed below) of the District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, 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:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	3 - 15 years
Vehicles	8 - 15 years
Textbooks	7 years

The District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accrued Liabilities and Long-Term Obligations

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

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

Leases

The District serves as lessee in a noncancellable lease which is accounted for as follows:

Lessee - At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund

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balance for purchases on order provided such amounts have been lawfully appropriated.

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2026 appropriated budget.

Unassigned

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Restricted Net Position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows.

Internal Activity

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

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 and are eliminated from the Statement of Activities. 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.

Budgetary Process

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's

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authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the government-wide financial statements, bond premiums are recognized in the period in which the bonds were issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt 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, using the effective interest method and is presented as deferred outflows/inflows of resources on the Statement of Net Position.

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.

Hillsboro City School District
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For The Fiscal Year Ended June 30, 2025

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

New Accounting Principles

For fiscal year 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, GASB Statement No. 102, Certain Risk Disclosures, and GASB Implementation Guide No. 2025-1.

GASB Statement No. 102 addresses the variety of risks that state and local governments face that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of GASB Statement No. 102 did not have an effect on the financial statements of the District.

GASB Implementation Guide No. 2025-1 includes providing clarity on a range of accounting issues for state and local governments. These topics under GASB Implementation Guide No. 2025-1 provisions were implemented and did not have an effect on the financial statements of the District.

GASB Statement No. 101 sets out to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of GASB Statement No. 101 had the following effect on net position as reported June 30, 2024, by opinion unit affected:

	<u>Government-Wide</u>
	<u>Governmental</u>
	<u>Activities</u>
Net Position-Beginning of Year, as Previously Presented	\$37,875,203
Change in Accounting Principal- Adoption of GASB 101	<u>(4,983,829)</u>
Net Position-Beginning of Year, as Restated or Adjusted	<u><u>\$32,891,374</u></u>

NOTE 4 - FUND BALANCES

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

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Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>			
Prepays	\$25,184	\$2,868	\$28,052
Inventory	0	1,827	1,827
<i>Total Nonspendable</i>	25,184	4,695	29,879
<i>Restricted for</i>			
Debt Service	0	657,889	657,889
Capital Projects	0	982,293	982,293
Food Service Operations	0	1,259,521	1,259,521
Facilities Maintenance	0	101,900	101,900
District Managed Student Activity	0	171,702	171,702
Student Managed Activities	0	140,322	140,322
Miscellaneous State Grants	0	5,265	5,265
Data Communication for School Buildings	0	36,988	36,988
Set Asides	1,112,900	0	1,112,900
<i>Total Restricted</i>	1,112,900	3,355,880	4,468,780
<i>Committed to</i>			
Termination Benefits	165,524	0	165,524
<i>Assigned to</i>			
Public School Support	183,506		183,506
Budgetary	2,112,480	0	2,112,480
Encumbrances	186,865	0	186,865
<i>Total Assigned</i>	2,482,851	0	2,482,851
<i>Unassigned (Deficit)</i>	7,808,445	(29,233)	7,779,212
<i>Total Fund Balances</i>	<u>\$11,594,904</u>	<u>\$3,331,342</u>	<u>\$14,926,246</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the

Hillsboro City School District
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current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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 District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 requirement 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
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

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requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Investments

As of June 30, 2025, the District had the following investments:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)	Percent of Total
Federal Home Loan Bank	\$1,649,739	Level 2	1.21	26.68%
Negotiable CDs	493,630	Level 2	2.22	7.98%
Federal Home Loan Mortgage Corp.	2,821,542	Level 2	1.24	45.62%
Commercial Paper	1,205,680	(A)	1.36	19.50%
Money Market Funds	13,866	Level 1	0.00	0.22%
Total Fair Value	<u>\$6,184,457</u>			<u>100.00%</u>

(A)-Amortized Cost

Portfolio Weighted Average Maturity 2.97

The 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 District's recurring fair value measurements as of June 30, 2025. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk - The District has no investment policy beyond State statute that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

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Credit Risk - The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. Ohio law requires that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Commercial Paper investments are rated P1/A1 to A1+ by Moody's and Standard and Poor's. All other investments are rated Aaa/AA+ by Moody's and Standard and Poor's. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer. The District's investment percentages are noted in the table above.

Custodial Credit Risk - In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2025 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien December 31, 2023, were levied after April 1, 2023 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Highland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2025 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amount available as an advance at June 30, 2025 was \$407,494 in the General Fund, \$30,562 in the Permanent Improvement Capital Projects Fund, and \$36,674 in the Nonmajor Debt Service Funds. The amount available as an advance at June 30, 2024 was \$241,576 in the General Fund, \$12,072 in the Permanent Improvement Capital Projects Fund, and \$28,973 in the Nonmajor Debt Service Funds.

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

The assessed values upon which the fiscal year 2025 taxes were collected are:

	2024 Second - Half Collections		2025 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$366,855,280	89.66%	\$492,177,260	91.62%
Public Utility Personal	42,327,270	10.34%	45,040,480	8.38%
Total Assessed Value	<u>\$409,182,550</u>	<u>100.00%</u>	<u>\$537,217,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.90		\$28.30	

NOTE 7 - INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 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 District after withholding amounts for administrative fees and estimated refunds.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2025, consisted of property taxes, income taxes, intergovernmental grants, interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

<u>Governmental Activities:</u>	<u>Amounts</u>
Food Service	\$127,780
Public School Preschool	24,989
Title VI-B Grant	145,160
Title IV-A Grant	20,951
Title I Grant	244,434
Title II-A Grant	<u>25,006</u>
Total Intergovernmental Receivables	<u>\$588,320</u>

Hillsboro City School District
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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance at 6/30/24	Additions	Deductions	Balance at 6/30/25
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$849,342	\$0	\$0	\$849,342
Construction in Progress	32,760	0	(32,760)	0
Total Capital Assets Not Being Depreciated	882,102	0	(32,760)	849,342
Capital Assets Being Depreciated:				
Land Improvements	9,221,581	20,311	0	9,241,892
Buildings and Improvements	80,170,486	0	0	80,170,486
Furniture, Fixtures and Equipment	6,723,795	896,001	(24,008)	7,595,788
Intangible Right to Use - Equipment **	83,553	0	0	83,553
Vehicles	1,805,552	37,793	(37,680)	1,805,665
Textbooks	996,123	0	0	996,123
Totals Capital Assets Being Depreciated	99,001,090	954,105	(61,688)	99,893,507
Less Accumulated Depreciation/Amortization:				
Land Improvements	(3,647,537)	(500,269)	0	(4,147,806)
Buildings and Improvements	(30,609,064)	(2,593,581)	0	(33,202,645)
Furniture, Fixtures and Equipment	(5,314,588)	(346,602)	22,998	(5,638,192)
Intangible Right to Use - Equipment **	(51,861)	(17,326)	0	(69,187)
Vehicles	(1,490,188)	(270,130)	37,680	(1,722,638)
Textbooks	(996,123)	0	0	(996,123)
Total Accumulated Depreciation/Amortization	(42,109,361)	(3,727,908) *	60,678	(45,776,591)
Total Capital Assets Being Depreciated, Net	56,891,729	(2,773,803)	(1,010)	54,116,916
Governmental Activities Capital Assets, Net	\$57,773,831	(\$2,773,803)	(\$33,770)	\$54,966,258

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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,473,029
Special	110,857
Vocational	21,095
Support Services:	
Instructional Staff	26,916
Administration	145,940
Fiscal	3,024
Operation and Maintenance of Plant	386,125
Pupil Transportation	171,662
Operation of Non-Instructional Services - Food Service Operations	72,607
Extracurricular Activities	92,492
Total	<u>\$3,503,747</u>

** Of the current year depreciation total of \$3,503,747, \$17,326 of regular instruction is presented on the Statement of Activities related to the District's intangible asset of equipment, which is included as an Intangible Right to Use Lease.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 for automobile liability. The District also has umbrella liability coverage with a limit of \$10,000,000. There has been no significant change in coverage from the prior fiscal year. Settled claims have not exceeded coverage in any of the past three years.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$114,314,474. Other property insurance includes band instruments, tools, and physical damage to the blanket limit. The District pays all appointed officials' bonds by statute.

Employee Medical Benefits

As a benefit for employees of the District, the District makes available health, dental, vision, and term life insurance for all qualifying employees who desire coverage. The District pays for a portion of the health, dental, and vision insurances. The District pays 100% of the term life insurance. The District pays 100% of single vision. The employee is responsible for the difference between a single and family plan. The District pays 100% of both single and family hospitalization for employees hired before July 2012 and 80% for employees hired after July 2012. The balance remaining on all employees' benefits are deducted through payroll.

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The District provides a limited medical, surgical, prescription drug, and life insurance program for its employees through a self insured program. Claims are paid by the District to the South Central Ohio Insurance Consortium (SCOIC), a jointly governed organization (See Note 18). SCOIC contracts with Care Factor (formerly Employee Benefits Management Corporation (EBMC)) to service the claims up to \$500,000 per individual. The District has a stop loss coverage insurance policy through Jefferson Health Plan (OME-RESA) which covered individual claims in excess of \$500,000 per employee per year for medical claims. The District had shared risk pool coverage with the internal pool of the SCOIC which covered individual claims in excess of \$100,000 up to \$500,000 per employee per year for medical claims.

The claims liability of \$1,306,430 reported in the General Fund at June 30, 2025 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amounts of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past year is as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Balance
2025	\$1,023,670	\$7,491,684	(\$7,208,924)	\$1,306,430
2024	0	8,044,683	(7,021,013)	1,023,670

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

Workers' Compensation

For fiscal year 2025, the District participated in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool (See Note 19). The intent of the GRRP is to reward participants that are able to keep their claims costs below a predetermined amount. As part of the GRRP, Districts join together as a group. Each District continues to pay its own individual premium to the State. However, each District has the opportunity to receive retrospective premium adjustments (refunds or assessments) at 12, 24, and 36 months after the end of the policy year. At the end of each policy year, the Bureau of Workers' Compensation (BWC) will take a snap-shot of the incurred claims losses (indemnity, medical, and reserves) for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by BWC. Each group limits the maximum assessment by selecting a premium cap between five percent and 100 percent of merit rated premium. Participation in the GRRP is limited to Districts that can meet the GRRP's selection criteria. The firm of Sedwick Managed Care Ohio provides administrative, cost control, and actuarial services to the GRRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

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Net Pension Liability/Net OPEB Liability (Asset)

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

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the 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 remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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.

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Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2024.

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2025, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2025, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$661,953 for fiscal year 2025. Of this amount \$84,453 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1 percent COLA 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

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

Hillsboro City School District
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defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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 2025 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2025, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,918,248 for fiscal year 2025. Of this amount \$319,708 is reported as accrued wages and benefits.

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

The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10976580%	0.09764980%	
Prior Measurement Date	<u>0.11406060%</u>	<u>0.10083858%</u>	
Change in Proportionate Share	<u>-0.00429480%</u>	<u>-0.00318878%</u>	
Proportionate Share of the Net Pension Liability	\$5,615,176	\$18,789,399	\$24,404,575
Pension Expense	\$337,068	\$973,566	\$1,310,634

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For The Fiscal Year Ended June 30, 2025

At June 30 2025, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$214,383	\$1,183,240	\$1,397,623
Changes of assumptions	50,232	865,919	916,151
Changes in proportionate share and difference between employer contributions and proportionate share of contributions	88,714	108,833	197,547
Contributions subsequent to the measurement date	661,953	1,918,248	2,580,201
Total Deferred Outflows of Resources	<u>\$1,015,282</u>	<u>\$4,076,240</u>	<u>\$5,091,522</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$10,290	\$10,290
Changes of assumptions	0	651,788	651,788
Net difference between projected and actual earnings on pension plan investments	351,226	1,615,506	1,966,732
Changes in proportionate share and difference between employer contributions and proportionate share of contributions	128,815	802,543	931,358
Total Deferred Inflows of Resources	<u>\$480,041</u>	<u>\$3,080,127</u>	<u>\$3,560,168</u>

\$2,580,201 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ending June 30, 2026. 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
2026	(\$269,107)	(\$1,260,816)	(\$1,529,923)
2027	336,368	1,534,904	1,871,272
2028	(90,694)	(666,607)	(757,301)
2029	(103,279)	(529,616)	(632,895)
Total	<u>(\$126,712)</u>	<u>(\$922,135)</u>	<u>(\$1,048,847)</u>

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.

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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, 2024, and compared with June 30, 2023, are presented below:

	June 30, 2024	June 30, 2023
Inflation	2.40%	2.40%
Future Salary Increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
COLA or Ad Hoc COLA	2.0%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00% net of system expenses	7.00% net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. ORC 3309.15 and the SERS Board-adopted Investment Policy govern investment activity. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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, 2024:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	100.00 %	

Discount Rate

The total pension liability for 2024 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 20-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2024 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 2024 was 9.31 percent.

Sensitivity of the 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%)
District's proportionate share of the net pension liability	\$8,590,441	\$5,615,176	\$3,110,162

Changes Between the Measurement Date and the Report Date

The pension information is measured as of June 30, 2024 (measurement date) and used for the fiscal year ending June 30, 2025 (reporting date). There were no changes between the measurement date and the reporting date.

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Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to those used in the June 30, 2023, actuarial valuation are presented below:

	June 30, 2024	June 30, 2023
Inflation	2.50%	2.50%
Salary increases	From 2.50% to 8.50% based on service	From 2.50% to 8.50% based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00% net of investments expense, including inflation
Discount Rate of Return	7.00 percent	7.00%
Payroll Increases	3.00 percent	3.00%
Cost-of-Living Adjustments (COLA)	0.0%, effective July 1, 2017	0.0%, 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, 2024, 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%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
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 2.4 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer

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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, 2024. 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, 2024.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$30,310,594	\$18,789,399	\$9,044,448

Changes Between the Measurement Date and the Report Date

At the April 2025 STRS Board meeting, they approved the following change:

1. Beginning July 1, 2025, approve a 1.5% cost-of-living increase be paid to eligible benefit recipients on their anniversary date in fiscal year 2026; and
2. Temporarily make thirty-two years of service credit the minimum requirement for unreduced benefits and adjust the years of service credit required for reduced retirement benefits to twenty-seven or more years of service credit at any age for the period effective June 1, 2025 through May 1, 2030, then temporarily make thirty-three years of service credit the minimum requirement for unreduced benefits and adjust the years of service credit required for reduced retirement benefits to twenty-eight or more years of service at any age from June 1, 2030 through May 1, 2032, with a return to a minimum of thirty-four years of service credit (twenty-nine years or more for reduced retirement benefits) effective June 1, 2032 going forward.

Any effect on the net pension liability is unknown.

Note 12 - Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

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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 2025, 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 2025, 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 2025, the District's surcharge obligation was \$79,007.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$79,007 for fiscal year 2025.

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.

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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.

Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS Ohio health care plans include creditable prescription drug coverage.

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, 2025, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.11103790%	0.09764980%	
Prior Measurement Date	0.11457040%	0.10083858%	
Change in Proportionate Share	-0.00353250%	-0.00318878%	
Proportionate Share of the:			
Net OPEB Liability	\$1,130,916	\$0	\$1,130,916
Net OPEB (Asset)	\$0	(\$1,852,230)	(\$1,852,230)
OPEB Expense	(\$171,108)	(\$417,168)	(\$588,276)

At June 30 2025, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$80,520	\$80,520
Changes of assumptions	485,388	227,983	713,371
Net difference between projected and actual earnings on OPEB plan investments	5,522	0	5,522
Changes in proportionate share and difference between employer contributions and proportionate share of contributions	51,834	23,762	75,596
Contributions subsequent to the measurement date	79,007	0	79,007
Total Deferred Outflows of Resources	<u>\$621,751</u>	<u>\$332,265</u>	<u>\$954,016</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$1,219,421	\$199,611	\$1,419,032
Changes of assumptions	519,501	835,344	1,354,845
Net difference between projected and actual earnings on OPEB plan investments	0	79,529	79,529
Changes in proportionate share and difference between employer contributions and proportionate share of contributions	223,511	0	223,511
Total Deferred Inflows of Resources	<u>\$1,962,433</u>	<u>\$1,114,484</u>	<u>\$3,076,917</u>

\$79,007 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2026. 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
2026	(\$346,457)	(\$278,777)	(\$625,234)
2027	(255,234)	(121,108)	(376,342)
2028	(199,397)	(156,168)	(355,565)
2029	(172,024)	(145,234)	(317,258)
2030	(170,361)	(116,970)	(287,331)
Thereafter	(276,216)	36,038	(240,178)
Total	<u>(\$1,419,689)</u>	<u>(\$782,219)</u>	<u>(\$2,201,908)</u>

Actuarial Assumptions – SERS

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

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For The Fiscal Year Ended June 30, 2025

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, 2024, compared with June 30, 2023, are presented below:

	June 30, 2024	June 30, 2023
Inflation	2.40%	2.40%
Future Salary Increases, including inflation	3.25% to 13.58%	3.25% to 13.58%
Investment Rate of Return	7.00% net of investment expense	7.00% net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2059	2048
Municipal Bond Index Rate:		
Measurement Date	3.93%	3.86%
Prior Measurement Date	3.86%	3.69%
Single Equivalent Interest Rate,		
Measurement Date	4.88%	4.27%
Prior Measurement Date	4.27%	4.08%
Health Care Cost Trend Rate:		
Medical Trend Assumption		
Measurement Date	7.00% to 4.40%	6.75% to 4.40%
Prior Measurement Date	6.75% to 4.40%	7.00% to 4.40%

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.

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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 long-term expected nominal rate of return has been determined by calculating a 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, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (geometric)
Cash	3.00 %	0.97 %
US Equity	22.00	4.68
Non-US Equity Developed	12.00	4.96
Non-US Equity Emerging	6.00	5.66
Fixed Income/Global Bonds	18.00	2.38
Private Equity	14.00	7.10
Real Estate	13.00	3.64
Infrastructure	7.00	4.80
Private Debt/Private Credit	5.00	5.86
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024, was 4.88 percent. The discount rate used to measure total OPEB liability prior to June 30, 2024, was 4.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2059 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, 2023, and the June 30, 2024, 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 3.93 percent at June 30, 2024, and 3.86 percent at June 30, 2023.

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Sensitivity of the 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 (3.88%) and higher (5.88%) than the current discount rate (4.88%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
District's proportionate share of the net OPEB liability	\$1,508,036	\$1,130,916	\$831,243
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
District's proportionate share of the net OPEB liability	\$764,457	\$1,130,916	\$1,612,597

Changes Between the Measurement Date and the Report Date

The OPEB information is measured as of June 30, 2024 (measurement date) and used for the fiscal year ending June 30, 2025 (reporting date). There were no changes between the measurement date and the reporting date.

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2024, actuarial valuation compared to the prior year are presented below:

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Hillsboro City School District
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	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.50% to 8.50%	Varies by service from 2.50% to 8.50%
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.00%
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50% initial 3.94% ultimate	7.50% initial 4.14% ultimate
Medicare	(112.22%) initial 3.94% ultimate	(10.94%) initial 4.14% ultimate
Prescription Drug		
Pre-Medicare	8.00% initial 3.94% ultimate	(11.95%) initial 4.14% ultimate
Medicare	(15.14%) initial 3.94% ultimate	1.33% initial 4.14% 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, 2024, 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:

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Notes to the Basic Financial Statements
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<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.90%
International Equity	22.00	7.70
Alternatives	19.00	9.10
Fixed Income	22.00	4.50
Real Estate	10.00	5.10
Liquidity Reserves	1.00	2.40
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 2.4 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 actual rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2024. 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, 2024. 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, 2024.

Sensitivity of the 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, 2024, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net OPEB asset	(\$1,505,985)	(\$1,852,230)	(\$2,153,538)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$2,173,892)	(\$1,852,230)	(\$1,465,391)

Changes Between the Measurement Date and the Report Date

At the May 2025 STRS Board meeting, the Board approved the following change: Increasing the health care subsidy for twenty-seven years of service to the maximum subsidy minus the subsidy for three years

Hillsboro City School District
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For The Fiscal Year Ended June 30, 2025

of service for anyone who retires between August 1, 2023, and July 1, 2032, effective June 1, 2025 through July 1, 2032. After that the maximum subsidy for Healthcare Plan participants who retire August, 1, 2032 or later will align with the eligibility for unreduced pensions, and all others eligible for subsidies receive one less year of subsidy for each year below the minimum years of service required to receive unreduced subsidy at any age. Any effect on the net OPEB asset is unknown.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 25 days of vacation per fiscal 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 the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for teachers and administrators and 260 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 61 days for teachers and administrators and 65 days for classified employees.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2025 were as follows:

	Restated Amount Outstanding 6/30/24	Additions	Deductions	Amount Outstanding 6/30/25	Amounts Due in One Year
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds:					
2011 School Improvements Refunding					
Bonds - 3.50%-4.15%	\$2,825,000	\$0	\$525,000	\$2,300,000	\$540,000
Premium on Refunding Bonds	57,164	0	14,291	42,873	0
2014 School Improvements Refunding					
Serial and Term Bonds - 1.00%-3.50%	870,000	0	205,000	665,000	210,000
Premium on Refunding Bonds	70,669	0	15,705	54,964	0
Total General Obligation Bonds	<u>3,822,833</u>	<u>0</u>	<u>759,996</u>	<u>3,062,837</u>	<u>750,000</u>
Net Pension Liability	28,017,961	0	3,613,386	24,404,575	0
Net OPEB Liability	1,887,485	0	756,569	1,130,916	0
Financed Purchase Payable	2,585,000	0	764,000	1,821,000	780,000
Lease	31,794	0	17,327	14,467	14,467
Compensated Absences	6,474,055	173,189 *	0	6,647,244	1,040,060
Total Long-Term Liabilities	<u>\$42,819,128</u>	<u>\$173,189</u>	<u>\$5,911,278</u>	<u>\$37,081,039</u>	<u>\$2,584,527</u>

*-net change

Hillsboro City School District
Notes to the Basic Financial Statements
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School Improvement Refunding 2011

In June 2011, the District issued \$5,830,000 in school improvement bonds for the purpose of refunding a portion of the 2001 School Improvement Bonds. \$5,395,000 were serial bonds and \$435,000 were capital appreciation bonds. The bonds were issued for an 18 year period, with final maturity in December 2029.

School Improvement Refunding Bonds 2014

In November 2014, the District issued \$2,245,000 in School Improvement General Obligation Bonds for the purpose of refunding a portion of the 2006 School Improvement Bonds. \$1,165,000 were serial bonds, \$1,070,000 were term bonds, and \$10,000 were Capital Appreciation Bonds. The bonds were issued for a 15 year period, with final maturity in December 2028.

Financed Purchase Payable

In prior years, the District entered into a financed purchase agreement for constructing the new auditorium, a new bus garage, and for the construction of a gymnasium. Financed Purchase payments are reflected as debt expenditures in the fund financial statements. Principal payments made during fiscal year 2025 on the buildings totaled \$764,000. Payments are made from the Debt Service Fund.

The agreement provides for minimum annual financed purchase payments as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u> <u>Payments</u>
2026	\$813,860
2027	816,856
2028	54,236
2029	55,130
2030	53,930
2031-2032	107,636
Total	1,901,648
Less Amount Representing Interest	(80,648)
Present Value of Minimum Financed Purchase Payments	<u>\$1,821,000</u>

Lease

The District has an outstanding agreement to lease copiers. Due to the implementation of GASB Statement No. 87, this lease meets the criteria of a lease thus requiring it to be recorded by the District. The future lease payments were discounted based on the interest rate implicit in the lease or using the District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining lease is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$14,467	\$14	\$14,481

Compensated absences will be paid from the General Fund. The financed purchase will be paid from the Debt Service Fund. There is no repayment schedule for the net pension/OPEB liabilities. However,

Hillsboro City School District
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employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension liability see notes 11 and 12.

The District's overall legal debt margin was \$46,042,486 with an unvoted debt margin of \$537,218 at June 30, 2025.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2025, are as follows:

School Improvement Bonds			
Fiscal Year	Serial and Term	Serial and Term	
Ending	Bonds	Bonds	
June 30,	Principal	Interest	Total
2026	\$750,000	\$104,900	\$854,900
2027	785,000	75,975	860,975
2028	810,000	45,533	855,533
2029	620,000	13,008	633,008
Total	<u>\$2,965,000</u>	<u>\$239,416</u>	<u>\$3,204,416</u>

NOTE 15- INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2025, were as follows:

Transfer To	
Transfer From	Nonmajor
	Governmental
	Funds
	<u>\$813,210</u>
General Fund	

Transfers were made from the General Fund to the Nonmajor Governmental Fund for debt payments.

Interfund Balances

Interfund balances at June 30, 2025, consist of the following individual interfund receivables and payable:

Payable	
Receivable	Nonmajor
	Governmental
	Funds
	<u>\$257,228</u>
General Fund	

Hillsboro City School District
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Advancing monies to other funds is necessary due to timing difference in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

NOTE 16 - SET-ASIDE CALCULATIONS

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

The District is no longer required to set aside funds in the budget reserve, with the exception of monies received from the Bureau of Workers' Compensation prior to April 10, 2001, which must be retained for budget stabilization or spent for specified purposes.

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

	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2024	\$1,004,304	\$75,952
Current Fiscal Year Set-aside Requirement	524,482	0
Qualified Disbursements	0	0
Current Fiscal Year Qualifying Expenditures	(415,886)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$1,112,900</u>	<u>\$75,952</u>
Set-aside Balance as of June 30, 2025	<u>\$1,112,900</u>	<u>\$75,952</u>

The total reserve balance at the end of the fiscal year was \$1,188,852.

NOTE 17 - CONTINGENCIES

Grants

The 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2025, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Department of Education & Workforce's (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. The final adjustment was not material and is not reflected in the accompanying financial statements.

Hillsboro City School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2025

Litigation

The District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Miami Valley Educational Computer Association

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland 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 districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member Districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member Districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each District and Educational Service Center's degree of control is limited to its representation on the Board. The District paid MVECA \$170,547 for services provided during fiscal year 2025. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

South Central Ohio Insurance Consortium

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under the Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees. Financial information can be obtained from the offices of the Consortium's fiscal agent, Treasurer, Bloom-Carroll Local School District, 5240 Plum Road, Carroll, Ohio 43112.

NOTE 19 – INSURANCE PURCHASING POOL

Ohio SchoolComp Group Retrospective Rating Program

The District participates in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool. The GRRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to Sedwick Managed Care Ohio to cover the costs of administering the program.

NOTE 20 - ACCOUNTABILITY

At June 30, 2025, the Title VI-B Grant, Title I Grant, and Public School Preschool of \$5,818, \$17,224, and \$4,184, respectively. The deficits in these funds were created by the recognition of accrued liabilities in recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

Hillsboro City School District
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For The Fiscal Year Ended June 30, 2025

NOTE 21– SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$266,450
Nonmajor Governmental Funds	<u>367,143</u>
Total	<u><u>\$633,593</u></u>

NOTE 22 – RELATED PARTY DISCLOSURES

The District has evaluated its financial transactions, arrangements, and relationships in accordance with the requirements of the U.S. Department of Education (34 CFR §668.23(d)(1)) and Auditor of State Technical Bulletin 2025-001, which extend beyond the disclosure requirements of GASB Codification Section 2250, Related Party Transactions.

Management has determined that, for the fiscal year ended June 30, 2025, the District had no related party relationships, related entities, related party transactions, or related party outstanding balances that are required to be disclosed. Accordingly, no related party disclosures are presented in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Hillsboro City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years (1)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2025	0.10976580%	\$5,615,176	\$4,600,093	122.07%	78.52%
2024	0.11406060%	6,302,436	4,525,086	139.28%	76.06%
2023	0.11045870%	5,974,465	4,126,257	144.79%	75.82%
2022	0.11669670%	4,305,771	4,028,071	106.89%	82.86%
2021	0.11861900%	7,845,710	4,158,521	188.67%	68.55%
2020	0.11595550%	6,937,821	3,652,304	189.96%	70.85%
2019	0.11443450%	6,553,876	3,419,541	191.66%	71.36%
2018	0.11903030%	7,111,797	4,579,636	155.29%	69.50%
2017	0.11632110%	8,513,631	3,337,007	255.13%	62.98%
2016	0.11473810%	6,547,069	3,457,572	189.35%	69.16%

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

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of District's Contributions for Net Pension Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2025	\$661,953	(\$661,953)	\$0	\$4,728,236	14.00%
2024	644,013	(644,013)	0	4,600,093	14.00%
2023	633,512	(633,512)	0	4,525,086	14.00%
2022	577,676	(577,676)	0	4,126,257	14.00%
2021	563,930	(563,930)	0	4,028,071	14.00%
2020	582,193	(582,193)	0	4,158,521	14.00%
2019	493,061	(493,061)	0	3,652,304	13.50%
2018	461,638	(461,638)	0	3,419,541	13.50%
2017	641,149	(641,149)	0	4,579,636	14.00%
2016	467,181	(467,181)	0	3,337,007	14.00%

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years (1)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2025	0.09764980%	\$18,789,399	\$13,718,571	136.96%	82.55%
2024	0.10083858%	21,715,525	13,795,607	157.41%	80.02%
2023	0.10142653%	22,547,245	13,634,407	165.37%	78.88%
2022	0.10362382%	13,249,237	12,247,071	108.18%	87.78%
2021	0.10113008%	24,469,880	12,460,693	196.38%	75.48%
2020	0.10028661%	22,177,783	12,398,429	178.88%	77.40%
2019	0.09956439%	21,891,974	11,300,586	193.72%	77.31%
2018	0.10257258%	24,366,335	10,862,636	224.31%	75.30%
2017	0.09996184%	33,460,241	11,082,871	301.91%	66.80%
2016	0.09887040%	27,324,887	10,326,771	264.60%	72.10%

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

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of District's Contributions for Net Pension Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2025	\$1,918,248	(\$1,918,248)	\$0	\$13,701,771	14.00%
2024	1,920,600	(1,920,600)	0	13,718,571	14.00%
2023	1,931,385	(1,931,385)	0	13,795,607	14.00%
2022	1,908,817	(1,908,817)	0	13,634,407	14.00%
2021	1,714,590	(1,714,590)	0	12,247,071	14.00%
2020	1,744,497	(1,744,497)	0	12,460,693	14.00%
2019	1,735,780	(1,735,780)	0	12,398,429	14.00%
2018	1,582,082	(1,582,082)	0	11,300,586	14.00%
2017	1,520,769	(1,520,769)	0	10,862,636	14.00%
2016	1,551,602	(1,551,602)	0	11,082,871	14.00%

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2025	0.11103790%	\$1,130,916	\$4,600,093	24.58%	44.50%
2024	0.11457040%	1,887,485	4,525,086	41.71%	30.02%
2023	0.11263060%	1,581,346	4,126,257	38.32%	30.34%
2022	0.11810900%	2,235,310	4,028,071	55.49%	24.08%
2021	0.11787790%	2,561,873	4,158,521	61.61%	18.17%
2020	0.11712390%	2,945,418	3,652,304	80.65%	15.57%
2019	0.11560920%	3,207,312	3,419,541	93.79%	13.57%
2018	0.12034520%	3,229,748	4,579,636	70.52%	12.46%
2017	0.11739280%	3,346,129	3,337,007	100.27%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of District's Contributions for Net OPEB Liability
School Employees Retirement System of Ohio
Last Ten Fiscal Years (1)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2025	\$79,007	(\$79,007)	\$0	\$4,728,236	1.67%
2024	75,145	(75,145)	0	4,600,093	1.63%
2023	68,656	(68,656)	0	4,525,086	1.52%
2022	71,946	(71,946)	0	4,126,257	1.74%
2021	65,621	(65,621)	0	4,028,071	1.63%
2020	51,072	(51,072)	0	4,158,521	1.23%
2019	81,748	(81,748)	0	3,652,304	2.24%
2018	77,403	(77,403)	0	3,419,541	2.26%
2017	63,542	(63,542)	0	4,579,636	1.39%
2016	57,317	(57,317)	0	3,337,007	1.72%

(1) Includes surcharge.

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2025	0.09764980%	(\$1,852,230)	\$13,718,571	(13.50%)	158.01%
2024	0.10083858%	(1,961,171)	13,795,607	(14.22%)	168.52%
2023	0.10142653%	(2,626,270)	13,634,407	(19.26%)	230.73%
2022	0.10362382%	(2,184,823)	12,247,071	(17.84%)	174.73%
2021	0.10113008%	(1,777,359)	12,460,693	(14.26%)	182.13%
2020	0.10028661%	(1,660,987)	12,398,429	(13.40%)	174.74%
2019	0.09956439%	(1,599,898)	11,300,586	(14.16%)	176.00%
2018	0.10257258%	4,002,003	10,862,636	36.84%	47.10%
2017	0.09996184%	5,345,985	11,082,871	48.24%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information.

Hillsboro City School District
Required Supplementary Information
Schedule of District's Contributions for Net OPEB (Asset)/Liability
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2025	\$0	\$0	\$0	\$13,701,771	0.00%
2024	0	0	0	13,718,571	0.00%
2023	0	0	0	13,795,607	0.00%
2022	0	0	0	13,634,407	0.00%
2021	0	0	0	12,247,071	0.00%
2020	0	0	0	12,460,693	0.00%
2019	0	0	0	12,398,429	0.00%
2018	0	0	0	11,300,586	0.00%
2017	0	0	0	10,862,636	0.00%
2016	0	0	0	11,082,871	0.00%

See accompanying notes to the required supplementary information.

Hillsboro City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$12,064,692	\$13,022,205	\$12,961,823	(\$60,382)
Tuition and Fees	576,033	621,750	618,867	(2,883)
Investment Earnings	580,211	626,260	623,356	(2,904)
Intergovernmental	17,483,868	18,871,474	18,783,969	(87,505)
Extracurricular Activities	12,877	13,899	13,835	(64)
Charges for Services	19,266	20,795	20,699	(96)
Other Revenues	6,314	6,816	6,784	(32)
Total Revenues	30,743,261	33,183,199	33,029,333	(153,866)
Expenditures:				
Current:				
Instruction:				
Regular	12,166,456	13,794,886	13,005,390	789,496
Special	3,848,425	4,363,521	4,113,792	249,729
Vocational	129,057	146,331	137,956	8,375
Other	1,144,524	1,297,714	1,223,444	74,270
Support Services:				
Pupil	1,926,983	2,184,902	2,059,858	125,044
Instructional Staff	998,398	1,132,029	1,067,242	64,787
General Administration	27,398	31,065	29,287	1,778
School Administration	5,054,201	5,730,685	5,402,712	327,973
Fiscal	888,449	1,007,365	949,712	57,653
Business	10,696	12,128	11,434	694
Operations and Maintenance	2,458,283	2,787,314	2,627,793	159,521
Pupil Transportation	2,091,530	2,371,473	2,235,751	135,722
Central	104,243	118,195	111,431	6,764
Operation of Non-Instructional Services	6,404	7,262	6,846	416
Extracurricular Activities	575,523	652,554	615,208	37,346
Total Expenditures	31,430,570	35,637,424	33,597,856	2,039,568
Excess of Revenues Over (Under) Expenditures	(687,309)	(2,454,225)	(568,523)	1,885,702
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	11,163	12,049	11,993	(56)
Transfers (Out)	(760,753)	(862,576)	(813,210)	49,366
Total Other Financing Sources (Uses)	(749,590)	(850,527)	(801,217)	49,310
Net Change in Fund Balance	(1,436,899)	(3,304,752)	(1,369,740)	1,935,012
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	11,366,791	11,366,791	11,366,791	0
Fund Balance End of Year	\$9,929,892	\$8,062,039	\$9,997,051	\$1,935,012

See accompanying notes to the required supplementary information.

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original 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 issued during the fiscal year 2025.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,648,160
Revenue Accruals	(348,535)
Expenditure Accruals	(2,402,915)
Encumbrances	(266,450)
Budget Basis	<u>(\$1,369,740)</u>

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2025: Effective August 1, 2024, HB 33 established a Contribution-Based Benefit Cap (CBBC). Under this provision, a member's retirement allowance (and any survivor benefit derived from that allowance) will be limited if the calculated benefit under the statutory formula exceeds the CBBC amount.

2023-2024: There were no changes in benefit terms since the prior measurement period.

2022: Cost of Living Adjustments (COLA) increased from 0.50% to 2.50%.

2020-2021: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3.00% annual increase to a Cost of Living Adjustments (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.50% and a floor of 0.00%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2023-2025: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Cost of Living Adjustments (COLA) was increased from 2.00% to 2.50% for calendar years 2025, 2024 and 2023.

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.00% to 2.40%,
- (2) Payroll growth assumption was reduced from 3.50% to 1.75%,
- (3) Assumed real wage growth was increased from 0.50% to 0.85%,
- (4) Cost of Living Adjustments (COLA) was reduced from 2.50% to 2.00%,
- (5) The discount rate was reduced from 7.50% to 7.00%,
- (6) Rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and,
- (7) Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

2018-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2025: In March 2024, the Board adopted a change in the service retirement eligibility requirements for both unreduced and actuarially reduced benefits. This change is effective for retirements beginning June 1, 2024. The change allows for unreduced retirement at 34 years of service indefinitely (was previously set to increase to 35 years beginning August 1, 2029). The change also allows for an actuarially reduced retirement at any age with 29 years of service.

2019-2024: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2025: Retirement rates were extended to younger ages intended to ensure that the ranges in retirement eligibility impacted participants at such ages. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

2024: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2023: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table:
 - a. Adjusted 110.0% for males, projected forward generationally using mortality improvement

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

scale MP-2020

- (2) Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table:
 - a. Adjusted 95.0% for females, projected forward generationally using mortality improvement scale MP-2020
- (3) Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table:
 - a. Projected forward generationally using mortality improvement scale MP-2020
- (4) Projected salary increases changed from 2.50% to 12.50% to 2.50% to 8.50%

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2025: The SERS Board increased the minimum compensation used for determining the health care surcharge from \$25,000 to \$30,000.

2024: Effective January 1, 2024, the non-Medicare disability health care subsidy amounts will change to reflect amounts equal to that of service retirees by years of service.

2017-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2025: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	4.27%
Measurement Date	4.88%
- (2) Municipal Bond Index Rate:

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

- | | |
|------------------------|-------|
| Prior Measurement Date | 3.86% |
| Measurement Date | 3.93% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 4.27% |
| Measurement Date | 4.88% |
- (4) Health care trend rates were updated.
- (5) Fiduciary Net Position projected depletion changed from 2048 to 2059.

2024: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 4.08% |
| Measurement Date | 4.27% |
- (2) Municipal Bond Index Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.69% |
| Measurement Date | 3.86% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 4.08% |
| Measurement Date | 4.27% |
- (4) The assumption for percent of pre-Medicare eligible retirees who choose the Wraparound plan increased from 10% to 20%.
- (5) The health care trend assumption on retiree premiums was updated to not apply trend to the \$35 surcharge.
- (6) The morbidity factors were updated based on the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries.
- (7) An assumption was added to assume that 15% of pre-65 retirees who waive will elect coverage upon Medicare eligibility.

2023: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 2.27% |
| Measurement Date | 4.08% |
- (2) Municipal Bond Index Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 1.92% |
| Measurement Date | 3.69% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 2.27% |
| Measurement Date | 4.08% |
- (4) Health care trend rates were updated.

2022: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 2.63% |
| Measurement Date | 2.27% |
- (2) Investment Rate of Return:
- | | |
|------------------------|-------|
| Prior Measurement Date | 7.50% |
|------------------------|-------|

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

- | | |
|------------------|-------|
| Measurement Date | 7.00% |
|------------------|-------|
- (3) Assumed Rate of Inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.00% |
| Measurement Date | 2.40% |
- (4) Payroll Growth Assumption:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.50% |
| Measurement Date | 1.75% |
- (5) Assumed Real Wage Growth:
- | | |
|------------------------|-------|
| Prior Measurement Date | 0.50% |
| Measurement Date | 0.85% |
- (6) Municipal Bond Index Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 2.45% |
| Measurement Date | 1.92% |
- (7) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 2.63% |
| Measurement Date | 2.27% |
- (8) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (9) Rate of health care participation for future retirees and spouses was updated to reflect recent.
- (10) Mortality among active members was updated to the following:
- a. PUB-2010 General Amount Weighted Below Median Employee mortality table.
- (11) Mortality among service retired members was updated to the following:
- a. 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% for males and set forward 2 years and adjusted 81.35% for females.
- (12) Mortality among beneficiaries was updated to the following:
- a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.
- (13) Mortality among disabled member was updated to the following:
- a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.
- (14) Mortality rates are projected using a fully generational projection with Scale MP-2020.

2021: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- | | |
|------------------------|-------|
| (1) Discount Rate: | |
| Prior Measurement Date | 3.22% |
| Measurement Date | 2.63% |
- (2) Municipal Bond Index Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.13% |
| Measurement Date | 2.45% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.22% |
| Measurement Date | 2.63% |

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

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

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2025: Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

2024: Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024. The change in the subsidy percentage and the base amount for all retiree Non-Medicare Eligible (NME) participants, from 2.2% per year in last year's valuation to 2.5% per year, capped at 75%, as well as the unfreezing of the NME subsidy, the removal of the 6% cap on the year over year subsidy increase for Medicare Eligible (ME) participants, the changes in deductible and office visits copays for Aetna's Medicare Advantage plan, and updates in the medical and PBM vendor contracts. In addition, there were benefit changes related to the change in eligibility for unreduced Pension benefits.

2023: Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

2022: The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

2021: There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% 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% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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% to 1.984% 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% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% 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. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10% to 1.90% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and

Hillsboro City School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2025

beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2025: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2024: Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2024. The change in the subsidy percentage and the base amount for all retiree Non-Medicare Eligible (NME) participants, from 2.2% per year in last year's valuation to 2.5% per year, capped at 75%, as well as the unfreezing of the NME subsidy, the removal of the 6% cap on the year over year subsidy increase for Medicare Eligible (ME) participants, the changes in deductible and office visits copays for Aetna's Medicare Advantage plan, and updates in the medical and PBM vendor contracts. In addition, there were benefit changes related to the change in eligibility for unreduced Pension benefits.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal years.

2022: There were changes in assumptions since the prior measurement date, which the discount rate was adjusted to 7.00% from 7.45%.

2021: There were changes in assumptions during the measurement year, which decreased the total OPEB liability by approximately \$0.26 billion. The assumption changes included changes in healthcare costs and trends.

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education and Workforce</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program - Commodity Distribution	10.555	N/A	\$ 106,521
Cash Assistance:			
National School Lunch Program	10.555	N/A	1,063,618
National School Breakfast Program	10.553	N/A	95,110
National School Breakfast Program	10.553	N/A	525,369
Total National School Breakfast Program			<u>620,479</u>
Total Child Nutrition Cluster			<u>1,790,618</u>
Total U.S. Department of Agriculture			<u>1,790,618</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education and Workforce</i>			
Special Education Cluster:			
Special Education - Grants to States (IDEA Part B)	84.027	N/A	75,321
Special Education - Grants to States (IDEA Part B)	84.027	N/A	596,174
Total IDEA Part B			<u>671,495</u>
IDEA Early Childhood	84.173	N/A	19,338
Total Special Education Cluster			<u>690,833</u>
Title I - Grants to Local Educational Agencies	84.010	N/A	115,539
Title I - Grants to Local Educational Agencies	84.010	N/A	712,017
Total Title I			<u>827,556</u>
Title IIA - Improving Teacher Quality	84.367	N/A	39,790
Title IIA - Improving Teacher Quality	84.367	N/A	79,479
Total Title IIA - Improving Teacher Quality			<u>119,269</u>
Title IV-A - Student Support and Academic Enrichment	84.424	N/A	78,269
Stronger Connections	84.424	N/A	14,967
Total Title IV-A - Student Support and Academic Enrichment			<u>93,236</u>
Total U.S. Department of Education			<u>1,730,894</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,521,512</u></u>

The accompanying notes are an integral part of this schedule.

**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.S10(b)(G)
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE A- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hillsboro City School District (the District) under programs of the federal government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTED -CHILD NUTRITION CLUSTER

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

NOTE E - FOOD DONATION PROGRAM

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

NOTE F -TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2025 to 2026 programs:

Title I Grants to Local Educational Agencies	84.010	\$79,331.38
Special Education - Grants to States	84.027	\$39,562.88
Supporting Effective Instruction State Grants	84.367	\$27,764.41



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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**

Hillsboro City School District
Highland County
39 Willettsville Pike
Hillsboro, Ohio 45133

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 14, 2026, wherein we noted the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

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

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

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

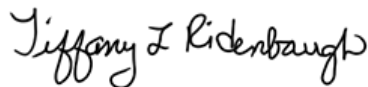
Report on Compliance and Other Matters

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

Purpose of This Report

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 14, 2026

OHIO AUDITOR OF STATE KEITH FABER



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

Hillsboro City School District
Highland County
39 Willettsville Pike
Hillsboro, Ohio 45133

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hillsboro City School District's, Highland County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Hillsboro City School District's major federal programs for the year ended June 30, 2025. Hillsboro City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Hillsboro City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 14, 2026

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**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

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):	Child Nutrition Cluster Special Education Cluster
(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?	No

**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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Hillsboro City School District

Tim Davis
Superintendent

39 Willettsville Pike
Hillsboro, OH 45133
Phone # (937) 393-3475
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Lewis B. Teeters
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS **2 CFR § 200.511(b)** **JUNE 30, 2025**

Finding Number	Finding Summary	Status	Additional Information
2024-001	Semi Annual Single Funded Certificates	Corrective Action Taken and Finding is Fully Corrected	
2024-002	Procurement for ESSER Funding	Corrective Action Taken and Finding is Fully Corrected	

Ben Teeters
Treasurer

“An Equal Opportunity Employer”

“We provide a well-rounded experience that prepares each student to be successful in life”.

OHIO AUDITOR OF STATE KEITH FABER



HILLSBORO CITY SCHOOL DISTRICT

HIGHLAND 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 6/2/2026

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