



OHIO AUDITOR OF STATE
KEITH FABER

**Independence Local School District
Cuyahoga County
June 30, 2025 and 2024**

Table of Contents

Title	Page
Independent Auditor’s Report.....	1
Prepared by Management:	
Basic Financial Statements:	
Statement of Net Position – Cash Basis June 30, 2025.....	5
Statement of Activities – Cash Basis For the Fiscal Year Ended June 30, 2025	6
Statement of Assets and Fund Balances – Cash Basis June 30, 2025.....	7
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis For the Fiscal Year Ended June 30, 2025	8
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund For the Fiscal Year Ended June 30, 2025	9
Statement of Fiduciary Net Position – Cash Basis June 30, 2025.....	10
Statement of Changes in Fiduciary Net Position – Cash Basis For the Fiscal Year Ended June 30, 2025	11
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025	13
Management’s Discussion and Analysis For the Fiscal Year Ended June 30, 2024.....	45
Basic Financial Statements:	
Statement of Net Position – Cash Basis June 30, 2024.....	52

**Independence Local School District
Cuyahoga County
June 30, 2025 and 2024**

**Table of Contents
(Continued)**

Title	Page
Statement of Activities – Cash Basis For the Fiscal Year Ended June 30, 2024	53
Statement of Assets and Fund Balances – Cash Basis June 30, 2024.....	54
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis For the Fiscal Year Ended June 30, 2024	55
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund For the Fiscal Year Ended June 30, 2024	56
Statement of Fiduciary Net Position – Cash Basis June 30, 2024.....	57
Statement of Changes in Fiduciary Net Position – Cash Basis For the Fiscal Year Ended June 30, 2024	58
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2024	59
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	91
Schedule of Findings	95
Prepared by Management:	
Summary Schedule of Prior Audit Findings	96



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Independent Auditor's Report

Independence Local School District
Cuyahoga County
7733 Stone Road
Independence, Ohio 44131

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio (the District), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, as of June 30, 2025 and 2024, and the respective changes in cash-basis financial position thereof and the respective budgetary comparisons for the General Fund for the years then ended in accordance with the cash-basis of accounting described in Note 2.

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 - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the cash-basis of accounting described in Note 2, and for determining that the cash-basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to 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.

Other Information

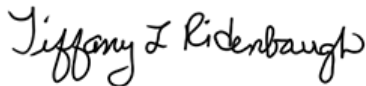
Management is responsible for the other information included in the annual financial report. The other information comprises the management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 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

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

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

September 3, 2026

Independence Local School District
Cuyahoga County, Ohio
Statement of Net Position - Cash Basis
June 30, 2025

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 17,730,270
Net Position	
Restricted for:	
Capital Outlay	595,065
Debt Service	4,740,420
Student Activities	218,717
Other Purposes	75,951
Unrestricted	12,100,117
<i>Total Net Position</i>	<i>\$ 17,730,270</i>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2025

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 10,026,601	\$ 173,112	\$ 15,000	\$ (9,838,489)
Special	2,780,237	198,945	288,653	(2,292,639)
Student Intervention Services	100,874	-	-	(100,874)
Other	60,335	-	-	(60,335)
Support Services:				
Pupils	1,160,697	-	190,742	(969,955)
Instructional Staff	613,841	-	5,973	(607,868)
Board of Education	236,839	-	-	(236,839)
Administration	1,881,302	-	-	(1,881,302)
Fiscal	799,519	-	-	(799,519)
Business	167,652	-	-	(167,652)
Operation and Maintenance of Plant	2,430,082	-	4,611	(2,425,471)
Pupil Transportation	931,115	-	-	(931,115)
Central	45,289	-	-	(45,289)
Operation of Non-Instructional Services:				
Food Service Operations	487,849	280,347	81,102	(126,400)
Community Services	12,475	-	12,146	(329)
Extracurricular Activities	1,138,357	244,026	28,238	(866,093)
Capital Outlay	536,837	-	-	(536,837)
Debt Service:				
Principal Retirement	865,000	-	-	(865,000)
Interest and Fiscal Charges	235,988	-	-	(235,988)
Totals	\$ 24,510,889	\$ 896,430	\$ 626,465	\$ (22,987,994)

General Receipts

Property Taxes Levied for:

General Purposes	13,527,239
Debt Service	1,012,983
Capital Outlay	572,034
Grants and Entitlements not Restricted to Specific Programs	2,699,655
Payments in Lieu of Taxes	5,557,300
Proceeds from the Sale of Assets	736
Investment Earnings	792,673
Miscellaneous	148,048

<i>Total General Receipts</i>	<u>24,310,668</u>
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<i>Change in Net Position</i>	1,322,674
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<i>Net Position Beginning of Year</i>	<u>16,407,596</u>
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<i>Net Position End of Year</i>	<u><u>\$ 17,730,270</u></u>
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See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2025

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 11,834,705	\$ 4,740,420	\$ 1,155,145	\$ 17,730,270
<i>Total Assets</i>	<u>\$ 11,834,705</u>	<u>\$ 4,740,420</u>	<u>\$ 1,155,145</u>	<u>\$ 17,730,270</u>
Fund Balances				
Nonspendable	\$ 35,082	\$ -	\$ -	\$ 35,082
Restricted	-	4,740,420	854,651	5,595,071
Committed	-	-	494	494
Assigned	3,423,764	-	300,000	3,723,764
Unassigned	8,375,859	-	-	8,375,859
<i>Total Fund Balances</i>	<u>\$ 11,834,705</u>	<u>\$ 4,740,420</u>	<u>\$ 1,155,145</u>	<u>\$ 17,730,270</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 13,527,239	\$ 1,012,983	\$ 572,034	\$ 15,112,256
Intergovernmental	2,666,599	146,490	484,793	3,297,882
Investment Income	792,673	-	-	792,673
Tuition and Fees	306,188	-	15,863	322,051
Extracurricular Activities	29,140	-	199,023	228,163
Gifts and Donations	-	-	28,238	28,238
Charges for Services	1,380	-	280,347	281,727
Payments in Lieu of Taxes	5,341,517	99	215,684	5,557,300
Rent	64,489	-	-	64,489
Miscellaneous	95,783	-	52,265	148,048
<i>Total Receipts</i>	<u>22,825,008</u>	<u>1,159,572</u>	<u>1,848,247</u>	<u>25,832,827</u>
Disbursements				
Current:				
Instruction:				
Regular	10,021,822	-	4,779	10,026,601
Special	2,646,914	-	133,323	2,780,237
Student Intervention Services	100,874	-	-	100,874
Other	60,335	-	-	60,335
Support Services:				
Pupils	969,955	-	190,742	1,160,697
Instructional Staff	607,868	-	5,973	613,841
Board of Education	236,839	-	-	236,839
Administration	1,881,302	-	-	1,881,302
Fiscal	776,882	13,674	8,963	799,519
Business	167,652	-	-	167,652
Operation and Maintenance of Plant	2,266,798	-	163,284	2,430,082
Pupil Transportation	852,360	-	78,755	931,115
Central	45,289	-	-	45,289
Extracurricular Activities	700,916	-	437,441	1,138,357
Operation of Non-Instructional Services:				
Food Service Operations	200	-	487,649	487,849
Community Services	-	-	12,475	12,475
Capital Outlay	-	-	536,837	536,837
Debt Service:				
Principal Retirement	-	765,000	100,000	865,000
Interest and Fiscal Charges	-	227,700	8,288	235,988
<i>Total Disbursements</i>	<u>21,336,006</u>	<u>1,006,374</u>	<u>2,168,509</u>	<u>24,510,889</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,489,002</u>	<u>153,198</u>	<u>(320,262)</u>	<u>1,321,938</u>
Other Financing Sources (Uses)				
Transfers In	-	-	500,000	500,000
Advances In	1,476	-	6,836	8,312
Proceeds from the Sale of Assets	736	-	-	736
Transfers Out	(500,000)	-	-	(500,000)
Advances Out	(6,836)	-	(1,476)	(8,312)
<i>Total Other Financing Sources (Uses)</i>	<u>(504,624)</u>	<u>-</u>	<u>505,360</u>	<u>736</u>
<i>Net Change in Fund Balances</i>	<u>984,378</u>	<u>153,198</u>	<u>185,098</u>	<u>1,322,674</u>
<i>Fund Balances Beginning of Year</i>	<u>10,850,327</u>	<u>4,587,222</u>	<u>970,047</u>	<u>16,407,596</u>
<i>Fund Balances End of Year</i>	<u>\$ 11,834,705</u>	<u>\$ 4,740,420</u>	<u>\$ 1,155,145</u>	<u>\$ 17,730,270</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and Other Financing Sources	\$ 20,864,172	\$ 22,707,116	\$ 22,789,431	\$ 82,315
Disbursements and Other Financing Uses	22,326,416	23,223,322	21,937,534	1,285,788
Net Change in Fund Balance	(1,462,244)	(516,206)	851,897	1,368,103
<i>Fund Balance Beginning of Year</i>	10,455,002	10,455,002	10,455,002	-
Prior Year Encumbrances Appropriated	334,203	334,203	334,203	-
<i>Fund Balance End of Year</i>	<u>\$ 9,326,961</u>	<u>\$ 10,272,999</u>	<u>\$ 11,641,102</u>	<u>\$ 1,368,103</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2025

	Custodial Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,762
 Net Position	
Restricted for Tournaments	\$ 3,762

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2025

	Custodial Fund
Additions	
Amounts Received for Others	\$ 6,991
Deductions	
Distributions to Others	3,305
<i>Change in Net Position</i>	3,686
<i>Net Position Beginning of Year</i>	76
<i>Net Position End of Year</i>	\$ 3,762

See accompanying notes to the basic financial statements.

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Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Independence Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities.

Reporting Entity

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

Parochial School Within the School District boundaries, St. Michael’s School is operated through the Cleveland Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

Jointly Governed Organizations

Connect Connect is a jointly governed Information Technology Center (ITC) owned and operated by the Educational Service Centers of Medina, Cuyahoga and Lorain Counties along with the Ohio Schools Council. Ownership is allocated among the Service Centers based on student enrollment. The purpose of the organization is to maintain and expand technology and support services to member organizations. Further information may be obtained by contacting the Director at 6393 Oak Tree Blvd., Suite 105, Independence, Ohio 44131.

Ohio Schools’ Council Association (OSC) OSC is a jointly governed organization of over 300 total members, including school districts, educational service centers and affiliate members. The organization was formed to purchase quality products and services at the lowest possible cost to member districts. The OSC’s Board consists of ten superintendents of the participating districts whose term rotates every year. Each district pays an annual fee, and governance is through a rotating Board of superintendents. Information is available from Kelly Rocco, Office Manager, at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the P4S (Power4Schools) electric purchase program, a partnership between OASBO, OSBA, BASA and the OSC. P4S offers reduced electric rates to over 170 districts. Additionally, the School District participates in the OSC Natural Gas program offering reduced natural gas rates for over 180 districts. The participants make monthly level billing payments with a true up at the end of the fiscal year.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Cuyahoga Valley Career The Cuyahoga Valley Career Center, a joint vocational school district, is a separate political subdivision of the State of Ohio with its own taxing and budgeting authority. It is not part of the School District. It is operated under the direction of a Board consisting of representatives from the elected boards of each participating district. Financial information may be obtained by contacting the Treasurer at 8001 Brecksville Road, Brecksville, Ohio 44141.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Fund Accounting

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

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

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

Bond Retirement Fund The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's custodial fund accounts for Ohio High School Athletic Association tournaments.

Basis of Accounting

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 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 of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board of Education appropriations to the function and object levels within each fund.

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

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

Cash and Investments

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

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by the investment institution at June 30, 2025.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2025 amounted to \$792,673 with \$268,684 assigned from other School District funds.

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

A compensated absence is as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, 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 respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds, leases and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, SBITA or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease, SBITA and financed purchase payments are reported when paid.

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources.

The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year's 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 resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

	<u>General Fund</u>
Cash Basis	\$ 984,378
Funds Budgeted Elsewhere **	(6,004)
Adjustment for Encumbrances	<u>(126,477)</u>
Budget Basis	<u>\$ 851,897</u>

** As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund cash basis. This includes the unclaimed monies, uniform school supplies and public school support funds.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies can be deposited or invested in the following securities:

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 6) The State Treasurer's investment pool (STAR Ohio); and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
- 7) Certain bankers' acceptance and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$816,217 of the School District's bank balance of \$1,662,526 was exposed to custodial credit risk because it was uninsured and collateralized.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

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

S&P Global Ratings	Investment Type	Measurement Value	Investment Maturities			Percent of Total
			12 Months or Less	12 to 36 Months	More Than 36 Months	
	Net Asset Value (NAV):					
AAAm	STAR Ohio	\$ 8,480,246	\$ 8,480,246	\$ -	\$ -	52.20%
AAAm	Money Market	200,620	200,620	-	-	1.24%
	Cost:					
AA+	Federal Agency Securities	1,141,291	364,452	444,929	331,910	7.03%
AA+	US Treasury Notes	2,005,199	1,203,147	-	802,052	12.34%
N/A	Negotiable Certificates of Deposit	4,416,281	1,377,624	1,941,145	1,097,512	27.19%
	Total Investments	\$16,243,637	\$11,626,089	\$ 2,386,074	\$ 2,231,474	100.00%

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

Credit Risk The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization. The money market fund carries a rating of AAAm by S&P Global Ratings. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2025, is 30 days and carries a rating of AAAm by S&P Global Ratings.

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2025 represents collections of calendar year 2024 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, 2024 and are collected in 2024 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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

	2024 Second Half Collections		2025 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 487,653,260	93%	\$ 560,473,720	93%
Public Utility	38,457,150	7%	41,602,860	7%
Total	<u>\$ 526,110,410</u>	<u>100%</u>	<u>\$ 602,076,580</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 34.65</u>		<u>\$ 34.45</u>	

NOTE 6 – INTERFUND

Transfers

Transfers are made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization. During the fiscal year the general fund made transfers to the food service fund of \$130,000, the capital projects fund of \$300,000 and the district managed activities fund of \$70,000.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Advances

During the fiscal year, the general fund advanced \$6,836 to the Title II-A fund and Title IV-A returned an advance of \$1,476 to general fund.

NOTE 7 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks were covered by commercial insurance purchased from independent third parties.

During the fiscal year, the School District contracted for insurance coverage for property, crime and inland marine insurance; for boilers; and for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents and inland marine on a replacement cost basis. The School District also has Employee Benefits liability and Umbrella policies.

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

Insurance Purchasing Pools

Schools of Ohio Risk Sharing Authority Board

The Council participates in the Schools of Ohio Risk Sharing Authority Board (SORSA). SORSA is an Ohio non-profit organization formed by Ohio Councils to provide cost effective pooled insurance to its members. SORSA is a self-funded, group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a Board of Directors comprised of representatives of Councils that participate in the program.

Financial Position – Schools of Ohio Risk Sharing Authority Board's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at June 30, 2024 (the most recent available):

	<u>2024</u>
Assets	\$ 4,078,329
Liabilities	<u>(3,762,201)</u>
Net Position	<u><u>\$ 316,128</u></u>

The complete audited financial statements for the Schools of Ohio Risk Sharing Authority Board are available at the Board's website, www.sorsaschools.org. Settled claims have not exceeded this commercial coverage in any of the last three years and coverages have not significantly decreased in the past year. The Council also provides health insurance and dental and vision coverage to full-time employees through the Tri-County Educational Service Center Joint Self-Insurance Plan.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Suburban Health Consortium

The School District participates in the Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district. The assembly elects officers for one-year terms to serve on the Board of Directors. The assembly exercises control over the participating school districts, based on the established premiums for the insurance plans. Rates are set through an annual calculation process. The School District's Board of Education pays the entire cost of a monthly premium. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing school district subsequent to the settlement of all expenses and claims.

Ohio Association of School Business Officials

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 1). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OASBO. The Executive Director of OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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

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 School'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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School 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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 School 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 School's contractually required contribution to SERS was \$369,458 for fiscal year 2025.

Plan Description - State Teachers Retirement System (STRS)

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

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

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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 School's contractually required contribution to STRS was \$1,285,591 for fiscal year 2025.

Net Pension Liability

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 School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0625329%	0.06978025%	
Prior Measurement Date	0.0622577%	0.06952818%	
Change in Proportionate Share	<u>0.0002752%</u>	<u>0.00025207%</u>	
Proportionate Share of the Net Pension Liability	\$ 3,198,929	\$ 13,426,848	\$ 16,625,777

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2137.

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2024, are presented below:

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

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

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

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:

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>	

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 4,893,921	\$ 3,198,929	\$ 1,771,840

Actuarial Assumptions – STRS

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

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

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

Actuarial assumptions used in the June 30, 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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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 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 School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School'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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 21,659,858	\$ 13,426,848	\$ 6,463,135

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 9 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

payroll for the health care surcharge. For fiscal year 2025, the School's surcharge obligation was \$43,415.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contractually required contribution to SERS was \$43,415 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. 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 Liability (Asset)

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 School's proportion of the net OPEB liability (asset) was based on the School'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
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.0633011%	0.06978025%
Prior Measurement Date	0.0637539%	0.06952818%
Change in Proportionate Share	<u>-0.0004528%</u>	<u>0.00025207%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 644,719	\$ (1,323,598)

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

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

The 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>	

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

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.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.88%) 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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 859,709	\$ 644,719	\$ 473,880
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 435,806	\$ 644,719	\$ 919,318

Actuarial Assumptions – STRS

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

	June 30, 2024	June 30, 2023
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by service from 2.5 percent to 8.5 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	7.50 percent initial 4.14 percent ultimate
Medicare	-112.22 percent initial 3.94 percent ultimate	-10.94 percent initial 4.14 percent ultimate
Prescription Drug		
Pre-Medicare	8.00 percent initial 3.94 percent ultimate	-11.95 percent initial 4.14 percent ultimate
Medicare	-15.14 percent initial 3.94 percent ultimate	1.33 percent initial 4.14 percent ultimate

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

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

Actuarial assumptions used in the June 30, 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:

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

<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 School's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB (Asset)	\$ (1,076,242)	\$ (1,323,598)	\$ (1,538,912)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB (Asset)	\$ (1,553,456)	\$ (1,323,598)	\$ (1,047,164)

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding Balance 6/30/2024	Additions	Deductions	Outstanding Balance 6/30/2025	Amount Due in One Year
<i><u>General Obligation Bonds:</u></i>					
Energy Conservation Bonds	\$ 305,000	\$ -	\$ 100,000	\$ 205,000	\$ 100,000
2019 Refunding Bonds					
Current Interest Serial Bonds	<u>6,075,000</u>	<u>-</u>	<u>765,000</u>	<u>5,310,000</u>	<u>795,000</u>
<i>Total Governmental Long-Term Obligations</i>	<u>\$ 6,380,000</u>	<u>\$ -</u>	<u>\$ 865,000</u>	<u>\$ 5,515,000</u>	<u>\$ 895,000</u>

General obligation debt will be paid from the permanent improvement and bond retirement funds.

Energy Conservation Bonds – Energy conservation bonds in the amount of \$1,250,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on November 22, 2011 with interest rates ranging from 1.25 to 3.25 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 15 year period with the final payment due on December 1, 2026. The bonds will be retired from the capital projects fund.

2019 Refunding School Improvement General Obligation Bonds – On September 17, 2019 the School District issued \$8,925,000 in voted general obligation bonds. The bonds refunded \$6,510,000 of outstanding 2011 School Improvement General Obligation Refunding Bonds and \$3,215,000 of outstanding 2012 School Improvement General Obligation Refunding Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$9,823,287 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The refunding reduced cash flows required for debt service by \$457,713 over the next eighteen years and resulted in an economic gain of \$413,925.

The bonds were issued with a premium of \$1,072,747 and issuance costs of \$172,453. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$98,287.

The bond issue consists of current interest serial bonds. The serial bonds were issued with an interest rate of 4.00 percent.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2025, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Refunding Bonds		Energy Conservation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 795,000	\$ 196,500	\$ 100,000	\$ 5,038	\$ 895,000	\$ 201,538
2027	835,000	163,900	105,000	1,706	940,000	165,606
2028	860,000	130,000	-	-	860,000	130,000
2029	900,000	94,800	-	-	900,000	94,800
2030	950,000	57,800	-	-	950,000	57,800
2031	970,000	19,400	-	-	970,000	19,400
	<u>\$ 5,310,000</u>	<u>\$ 662,400</u>	<u>\$ 205,000</u>	<u>\$ 6,744</u>	<u>\$ 5,515,000</u>	<u>\$ 669,144</u>

NOTE 11 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School 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 Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2025 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2025 financial statements is not determinable, at this time.

Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$126,477 in the general fund and \$126,396 in other governmental funds.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 12 – FUND BALANCE

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for major funds and all other governmental funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 35,082	\$ -	\$ -	\$ 35,082
Restricted for:				
Capital Outlay	-	-	595,065	595,065
Debt Service	-	4,740,420	-	4,740,420
Scholarships	-	-	6,719	6,719
Food Service	-	-	21,437	21,437
State Funded Programs	-	-	2,492	2,492
Extracurricular Activities	-	-	218,717	218,717
Total Restricted	-	4,740,420	854,651	5,595,071
Committed for:				
Extracurricular Activities	-	-	494	494
Assigned for:				
Instruction	43,667	-	-	43,667
Support Services	82,810	-	-	82,810
Subsequent Year Appropriations	3,280,892	-	-	3,280,892
Public School Support	16,395	-	-	16,395
Capital Outlay	-	-	300,000	300,000
Total Assigned	3,423,764	-	300,000	3,723,764
Unassigned	8,375,859	-	-	8,375,859
Total Fund Balance	\$ 11,834,705	\$ 4,740,420	\$ 1,155,145	\$ 17,730,270

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 13 - SET-ASIDES

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

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

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2024	\$ -
Current Year Set Aside Requirement	237,940
Current Year Qualifying Disbursements	<u>(904,940)</u>
Total	<u>\$ (667,000)</u>
Balance Carried Forward to Fiscal Year 2026	<u>\$ -</u>
Set Aside Restricted Balance June 30, 2025	<u>\$ -</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 14 - COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2025, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

NOTE 13 - SET-ASIDES

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

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Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

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

Financial Highlights

Key financial highlights for 2024 are as follows:

- Net position decreased \$0.5 million from 2023.
- During the fiscal year, the School District made scheduled principal payments which decreased outstanding debt.

Using this Annual Report

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District. 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Independence Local School District, the general fund and bond retirement fund are the most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2024?" The *Statement of Net Position* and the *Statement of Activities* answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations. The School District does not report any fiduciary funds.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2024 compared to 2023.

Table 1
Net Position –Cash Basis

	Governmental Activities		
	2024	2023	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 16,407,596	\$ 16,923,020	\$ (515,424)
Net Position			
Restricted for:			
Capital Outlay	665,360	417,585	247,775
Debt Service	4,587,222	4,365,410	221,812
Student Activities	263,895	282,438	(18,543)
Other Purposes	75,380	392,308	(316,928)
Unrestricted	10,815,739	11,465,279	(649,540)
<i>Total Net Position</i>	<u>\$ 16,407,596</u>	<u>\$ 16,923,020</u>	<u>\$ (515,424)</u>

A portion of the School District's net position represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position may be used to meet the School District's ongoing obligations to students and creditors.

The decrease in cash and net position can be attributed to the decrease in funding from grants related to the COVID-19 pandemic.

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Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2024 compared to the fiscal year 2023 for governmental activities.

Table 2
Changes in Net Position –Cash Basis

	Governmental Activities		
	2024	2023	Change
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 903,867	\$ 928,922	\$ (25,055)
Operating Grants, Contributions and Interest	602,072	1,266,192	(664,120)
<i>Total Program Receipts</i>	<u>1,505,939</u>	<u>2,195,114</u>	<u>(689,175)</u>
<i>General Receipts</i>			
Property Taxes	16,320,725	15,777,024	543,701
Grants and Entitlements not Restricted	2,669,025	2,237,236	431,789
Payments in Lieu of Taxes	2,663,491	3,126,184	(462,693)
Investment Earnings	822,431	551,579	270,852
Miscellaneous	217,837	154,282	63,555
<i>Total General Receipts</i>	<u>22,693,509</u>	<u>21,846,305</u>	<u>847,204</u>
<i>Total Receipts</i>	<u>24,199,448</u>	<u>24,041,419</u>	<u>158,029</u>
<i>Program Disbursements</i>			
Instruction:			
Regular	10,169,044	9,858,831	310,213
Special	3,045,669	2,661,307	384,362
Student Intervention Services	21,358	12,663	8,695
Other	61,777	54,832	6,945
Support Services:			
Pupils	1,017,822	1,085,009	(67,187)
Instructional Staff	790,500	892,520	(102,020)
Board of Education	232,544	222,732	9,812
Administration	1,705,467	1,650,770	54,697
Fiscal	743,310	746,808	(3,498)
Business	188,969	165,611	23,358
Operation and Maintenance of Plant	2,606,476	2,268,641	337,835
Pupil Transportation	923,696	1,090,669	(166,973)
Central	39,417	50,267	(10,850)
Operation of Non-Instructional Services:			
Food Service Operations	484,197	451,199	32,998
Community Services	22,270	224,271	(202,001)
Extracurricular Activities	1,219,287	1,034,061	185,226
Capital Outlay	340,456	551,618	(211,162)
Debt Service:			
Principal Retirement	750,000	805,000	(55,000)
Interest and Fiscal Charges	352,613	297,795	54,818
<i>Total Program Disbursements</i>	<u>24,714,872</u>	<u>24,124,604</u>	<u>590,268</u>
<i>Change in Net Position</i>	<u>(515,424)</u>	<u>(83,185)</u>	<u>(432,239)</u>
<i>Net Position Beginning of Year</i>	<u>16,923,020</u>	<u>17,006,205</u>	<u>(83,185)</u>
<i>Net Position End of Year</i>	<u>\$ 16,407,596</u>	<u>\$ 16,923,020</u>	<u>\$ (515,424)</u>

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Program receipts decreased from prior year mainly due to decreases in operating grants for auxiliary services and ESSER funding. General receipts increased over prior year. A decrease in payment in lieu of taxes was offset by an increase in basic foundation receipts and investment earnings, which increased over prior year as interest rates increased. Increases in salaries and special program costs account for an increase in special revenue disbursements while community services decreased with the decrease in auxiliary funding. As costs for utilities and upkeep increase, operation and maintenance expenses increased over prior year while capital outlay decreased with the completion of the paving and HVAC projects.

The dependence upon tax receipts and general receipt entitlements from the state for governmental activities is apparent. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

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

The general fund's fund balance decreased \$0.6 million from prior year, primarily due to the decrease in payment in lieu of taxes coupled with increased costs and transfers to other funds.

The increase of \$0.2 million in the bond retirement fund balance is attributed to the timing of debt service payments compared to receipts.

General Fund Budgeting Highlights

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

Original Budget Compared to Final Budget Property taxes were originally budgeted lower, accounting for the increase in final budget basis receipts and other financing sources over original budget. There were no individually significant amendments made to budget basis disbursements and other financing uses.

Final Budget Compared to Actual Results Actual receipts and other financing sources were higher than budget basis receipts and other financing sources mainly with property taxes and interest earnings being estimated lower. There was no significant difference in actual disbursements and other financing uses and final budget basis disbursements and other financing uses.

Independence Local School District
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Debt Administration

The School District's outstanding debt continued to decrease due to principal payments made during the year.

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

Current Issues

The Board of Education and administration closely monitor receipts and disbursements in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District decreased between the end of fiscal year 2023 and 2024 when the general fund unencumbered cash balance decreased from \$11,399,227 to \$10,455,002. The decrease of general fund cash balance is attributed to the increase in fiscal year operational expenditures. The School District is projecting to continue to deficit spend at the end of fiscal year 2025. The School District has implemented a plan of reducing future expenditures with reduction in force and budget cuts.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jennifer Knapp, Treasurer of Independence Local School District, 7733 Stone Road, Independence, Ohio 44131 or email at jknapp@independence.k12.oh.us.

BASIC FINANCIAL STATEMENTS

Independence Local School District
Cuyahoga County, Ohio
Statement of Net Position - Cash Basis
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 16,407,596</u>
Net Position	
Restricted for:	
Capital Outlay	665,360
Debt Service	4,587,222
Student Activities	263,895
Other Purposes	75,380
Unrestricted	<u>10,815,739</u>
<i>Total Net Position</i>	<u><u>\$ 16,407,596</u></u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2024

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 10,169,044	\$ 162,300	\$ -	\$ (10,006,744)
Special	3,045,669	205,535	311,327	(2,528,807)
Student Intervention Services	21,358	-	-	(21,358)
Other	61,777	-	-	(61,777)
Support Services:				
Pupils	1,017,822	-	69,877	(947,945)
Instructional Staff	790,500	-	5,993	(784,507)
Board of Education	232,544	-	-	(232,544)
Administration	1,705,467	-	-	(1,705,467)
Fiscal	743,310	-	-	(743,310)
Business	188,969	-	-	(188,969)
Operation and Maintenance of Plant	2,606,476	-	19,573	(2,586,903)
Pupil Transportation	923,696	-	-	(923,696)
Central	39,417	-	-	(39,417)
Operation of Non-Instructional Services:				
Food Service Operations	484,197	263,237	106,884	(114,076)
Community Services	22,270	-	13,186	(9,084)
Extracurricular Activities	1,219,287	272,795	75,232	(871,260)
Capital Outlay	340,456	-	-	(340,456)
Debt Service:				
Principal Retirement	750,000	-	-	(750,000)
Interest and Fiscal Charges	352,613	-	-	(352,613)
Totals	\$ 24,714,872	\$ 903,867	\$ 602,072	\$ (23,208,933)

General Receipts

Property Taxes Levied for:

General Purposes	14,588,443
Debt Service	1,081,256
Capital Outlay	651,026
Grants and Entitlements not Restricted to Specific Programs	2,669,025
Payments in Lieu of Taxes	2,663,491
Investment Earnings	822,431
Miscellaneous	217,837

<i>Total General Receipts</i>	<u>22,693,509</u>
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<i>Change in Net Position</i>	(515,424)
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<i>Net Position Beginning of Year</i>	<u>16,923,020</u>
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<i>Net Position End of Year</i>	<u><u>\$ 16,407,596</u></u>
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See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2024

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 10,850,327	\$ 4,587,222	\$ 970,047	\$ 16,407,596
<i>Total Assets</i>	<u>\$ 10,850,327</u>	<u>\$ 4,587,222</u>	<u>\$ 970,047</u>	<u>\$ 16,407,596</u>
Fund Balances				
Nonspendable	\$ 35,082	\$ -	\$ -	\$ 35,082
Restricted	-	4,587,222	969,553	5,556,775
Committed	-	-	494	494
Assigned	1,476,273	-	-	1,476,273
Unassigned	9,338,972	-	-	9,338,972
<i>Total Fund Balances</i>	<u>\$ 10,850,327</u>	<u>\$ 4,587,222</u>	<u>\$ 970,047</u>	<u>\$ 16,407,596</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 14,588,443	\$ 1,081,256	\$ 651,026	\$ 16,320,725
Intergovernmental	2,546,848	149,012	500,005	3,195,865
Investment Income	822,431	-	-	822,431
Tuition and Fees	323,935	-	1,433	325,368
Extracurricular Activities	28,115	-	243,247	271,362
Gifts and Donations	-	-	75,232	75,232
Charges for Services	1,120	-	263,237	264,357
Payments in Lieu of Taxes	2,563,240	94	100,157	2,663,491
Rent	42,780	-	-	42,780
Miscellaneous	186,497	-	31,340	217,837
<i>Total Receipts</i>	<u>21,103,409</u>	<u>1,230,362</u>	<u>1,865,677</u>	<u>24,199,448</u>
Disbursements				
Current:				
Instruction:				
Regular	10,169,044	-	-	10,169,044
Special	2,813,308	-	232,361	3,045,669
Student Intervention Services	21,358	-	-	21,358
Other	61,777	-	-	61,777
Support Services:				
Pupils	947,945	-	69,877	1,017,822
Instructional Staff	779,107	-	11,393	790,500
Board of Education	232,544	-	-	232,544
Administration	1,705,467	-	-	1,705,467
Fiscal	718,039	15,850	9,421	743,310
Business	188,969	-	-	188,969
Operation and Maintenance of Plant	2,120,191	-	486,285	2,606,476
Pupil Transportation	923,696	-	-	923,696
Central	39,417	-	-	39,417
Extracurricular Activities	799,898	-	419,389	1,219,287
Operation of Non-Instructional Services:				
Food Service Operations	800	-	483,397	484,197
Community Services	-	-	22,270	22,270
Capital Outlay	-	-	340,456	340,456
Debt Service:				
Principal Retirement	15,000	735,000	-	750,000
Interest and Fiscal Charges	94,913	257,700	-	352,613
<i>Total Disbursements</i>	<u>21,631,473</u>	<u>1,008,550</u>	<u>2,074,849</u>	<u>24,714,872</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(528,064)</u>	<u>221,812</u>	<u>(209,172)</u>	<u>(515,424)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	120,000	120,000
Advances In	-	-	1,476	1,476
Transfers Out	(120,000)	-	-	(120,000)
Advances Out	(1,476)	-	-	(1,476)
<i>Total Other Financing Sources (Uses)</i>	<u>(121,476)</u>	<u>-</u>	<u>121,476</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(649,540)</u>	<u>221,812</u>	<u>(87,696)</u>	<u>(515,424)</u>
<i>Fund Balances Beginning of Year</i>	<u>11,499,867</u>	<u>4,365,410</u>	<u>1,057,743</u>	<u>16,923,020</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,850,327</u>	<u>\$ 4,587,222</u>	<u>\$ 970,047</u>	<u>\$ 16,407,596</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts and Other Financing Sources	\$ 18,673,193	\$ 20,723,193	\$ 21,072,170	\$ 348,977
Disbursements and Other Financing Uses	23,661,712	21,822,461	22,055,374	(232,913)
Net Change in Fund Balance	(4,988,519)	(1,099,268)	(983,204)	116,064
<i>Fund Balance Beginning of Year</i>	11,399,768	11,399,768	11,399,768	-
Prior Year Encumbrances Appropriated	38,438	38,438	38,438	-
<i>Fund Balance End of Year</i>	<u>\$ 6,449,687</u>	<u>\$ 10,338,938</u>	<u>\$ 10,455,002</u>	<u>\$ 116,064</u>

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2024

	Custodial Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 76
 Net Position	
Restricted for Tournaments	\$ 76

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2024

	Custodial Fund
Additions	
Amounts Received for Others	\$ 5,226
Deductions	
Distributions to Others	5,150
<i>Change in Net Position</i>	76
<i>Net Position Beginning of Year</i>	-
<i>Net Position End of Year</i>	\$ 76

See accompanying notes to the basic financial statements.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Independence Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and federal agencies.

The School District is located in Independence, Ohio, Cuyahoga County. The Board of Education controls the School District's four instructional/support facilities.

Reporting Entity

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

Parochial School Within the School District boundaries, St. Michael’s School is operated through the Cleveland Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. These transactions are reported as a governmental activity of the School District.

Jointly Governed Organizations

Connect Connect is a jointly governed Information Technology Center (ITC) owned and operated by the Educational Service Centers of Medina, Cuyahoga and Lorain Counties along with the Ohio Schools Council. Per the Owner-Member Agreement, ninety-five percent of the ownership of the organization is allocated among the three educational service centers based upon the proportion of students in each of the three counties that are served by Connect. The purpose of the organization is to maintain and expand technology and support services to member organizations. Further information may be obtained by contacting the Director at 6393 Oak Tree Blvd., Suite 105, Independence, Ohio 44131.

Cuyahoga Valley Career Center The Cuyahoga Valley Career Center (a joint vocational School District) is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating School District’s elected board, which possesses its own budgeting and taxing authority. Accordingly, the Cuyahoga Valley Career Center is not part of the School District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville Ohio 44141.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Ohio Schools' Council Association The Ohio Schools' Council (OSC) is a jointly governed organization among 200 School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to member districts. Each district supports the OSC by paying an annual participation fee. The OSC's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any School District is limited to its representation on the Board. Financial information can be obtained by contacting Kelly Rocco, Office Manager, Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the OSC's electric purchase program, which was implemented during fiscal year 1998 and the natural gas program that was implemented during fiscal year 2000. The electric purchase program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The natural gas program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve-year period. The participants make monthly payments based on estimated usage. Each November these estimates are compared to their actual usage for the year and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

Insurance Purchasing Pools

Suburban Health Consortium The School District participates in the Suburban Health Consortium is a shared health risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the participating School Districts, based on the established premiums for the insurance plans. Each School District reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Schools of Ohio Risk Sharing Authority The School District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine-member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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 School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

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

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

Bond Retirement Fund The bond retirement fund accounts for the resources to pay for principal and interest on long-term general obligation debt of governmental funds.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's custodial fund accounts for Ohio High School Athletic Association tournaments.

Basis of Accounting

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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, 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 of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level for all funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board of Education appropriations to the function and object levels within each fund.

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

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

Cash and Investments

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

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by the investment institution at June 30, 2024.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2024 amounted to \$822,431 with \$273,999 assigned from other funds.

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, 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 respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds, leases and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, subscription-based information technology arrangements (SBITA) or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay disbursement is reported at inception. Lease, SBITA and financed purchase payments are reported when paid.

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities, food service operations and grants.

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources.

The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year's 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 resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund.

	<u>General Fund</u>
Cash Basis	\$ (649,540)
Funds Budgeted Elsewhere **	539
Adjustment for Encumbrances	<u>(334,203)</u>
Budget Basis	<u>\$ (983,204)</u>

** As part of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund cash basis. This includes the unclaimed monies, uniform school supplies and public school support funds.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies can be deposited or invested in the following securities:

- 1) United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 6) The State Treasurer's investment pool (STAR Ohio); and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
- 7) Certain bankers' acceptance and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, if training requirements have been met.

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

Deposits At year-end, \$512,640 of the School District's bank balance of \$1,271,391 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

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

Rating	Investment	Measurement	Investment Maturity in Months			% Total
		Amount	0-12	13-36	Over 36	
	Net Asset Value:					
AAAm	STAR Ohio	\$ 7,846,391	\$ 7,846,391	\$ -	\$ -	51.36%
AAAm	Money Market Mutual Fund	322,876	322,876	-	-	2.11%
	Cost:					
AA+	Federal Home Loan Mortgage Corp	125,000	-	-	125,000	0.82%
AA+	Federal National Mortgage	489,101	249,563	239,538	-	3.20%
AA+	Federal Home Loan Bank	474,991	280,000	194,991	-	3.11%
AA+	Federal Farm Credit Bank	307,030	-	124,911	182,119	2.01%
N/A	Negotiable Certificates of Deposit	4,217,638	1,126,195	2,218,264	873,179	27.61%
AA+	Treasury Notes	456,027	-	296,477	159,550	2.99%
A-1	Commercial Paper	893,317	893,317	-	-	5.85%
A-1+	Commercial Paper	144,170	144,170	-	-	0.94%
		<u>\$ 15,276,541</u>	<u>\$ 10,862,512</u>	<u>\$ 3,074,181</u>	<u>\$ 1,339,848</u>	<u>100.00%</u>

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

Credit Risk The School District has no investment policy dealing with credit risk beyond the requirements in State statutes. Ohio law requires government and agency mutual funds and STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2024, is 47 days.

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 5 – PROPERTY TAXES

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

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

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

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

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

	2023 Second Half Collections		2024 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 482,717,030	93%	\$ 487,653,260	93%
Public Utility	36,817,240	7%	38,457,150	7%
Total	<u>\$ 519,534,270</u>	<u>100%</u>	<u>\$ 526,110,410</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 34.85</u>		<u>\$ 34.65</u>	

NOTE 6 – INTERFUND

Transfers

Transfers are made to move unrestricted balances to support programs accounted for in other funds in accordance with budgetary authorization. During the fiscal year the general fund made transfers to the food service fund of \$75,000 and the district managed activities fund of \$45,000.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Advances

During the fiscal year, the general fund advanced \$1,476 to the Title IV-A fund.

NOTE 7 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks were covered by commercial insurance purchased from independent third parties.

During the fiscal year, the School District contracted for insurance coverage for property, crime and inland marine insurance; for boilers; and for blanket employee dishonesty. The property insurance covers each of the School District's buildings and contents and inland marine on a replacement cost basis.

The School District also has Employee Benefits liability and Umbrella policies.

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

Insurance Purchasing Pool

The Council participates in the Schools of Ohio Risk Sharing Authority Board (SORSA). SORSA is an Ohio non-profit organization formed by Ohio Councils to provide cost effective pooled insurance to its members. SORSA is a self-funded, group insurance consortium that offers property, electronic data processing, boiler and machinery, crime, general liability, automobile liability and physical damage, and school board errors and omissions insurance coverage. SORSA is governed by a Board of Directors comprised of representatives of Councils that participate in the program.

Financial Position – Schools of Ohio Risk Sharing Authority Board's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at June 30, 2023 (the most recent available):

	<u>2023</u>
Assets	\$ 3,706,257
Liabilities	<u>(3,449,715)</u>
Net Position	<u>\$ 256,542</u>

The complete audited financial statements for the Schools of Ohio Risk Sharing Authority Board are available at the Board's website, www.sorsaschools.org. Settled claims have not exceeded this commercial coverage in any of the last three years and coverages have not significantly decreased in the past year. The Council also provides health insurance and dental and vision coverage to full-time employees through the Tri-County Educational Service Center Joint Self-Insurance Plan.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 1). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Employee Health Benefits

The School District participates in the Suburban Health Consortium, a shared risk pool (Note 1) to provide medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing School District subsequent to the settlement of all expenses and claims.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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

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) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension 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 this estimate annually.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

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

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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, may be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 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.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

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

The School District's contractually required contribution to SERS was \$365,149 for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility charges will be phased in until August 1, 2023 when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

lifetime monthly annuity or a lump sum withdrawal.

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

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

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

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

The School District's contractually required contribution to STRS was \$1,355,921 for fiscal year 2024.

Net Pension Liability

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0622577%	0.06952818%	
Prior Measurement Date	0.0619162%	0.06979480%	
Change in Proportionate Share	0.0003415%	-0.00026662%	
Proportionate Share of the Net Pension Liability	\$ 3,440,059	\$ 14,972,850	\$ 18,412,909

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Actuarial Assumptions - SERS

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

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

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

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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 two 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 five years and adjusted 103.3 percent for males and set forward three 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 investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate of fiscal year 2023 was 14.00 percent. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return, 7.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District'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	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 5,077,351	\$ 3,440,059	\$ 2,060,952

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023, actuarial valuation, are presented below:

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Inflation	2.50 percent
Salary Increases	
Current Measurement Period	Varies by service from 2.50 percent to 8.50 percent
Prior Measurement Period	
Payroll Increases	3.00 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent

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

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

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

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

*Final target weights reflected at October 1, 2022.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2023.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 23,024,930	\$ 14,972,850	\$ 8,162,994

Assumption and Benefit Changes Since the Prior Measurement Date The discount rate remained at 7.00 percent for June 30, 2023 valuation. Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

NOTE 9 - DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$43,092. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was equal to its surcharge obligation for fiscal year 2024.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.0637539%	0.06952818%
Prior Measurement Date	0.0632040%	0.06979480%
Change in Proportionate Share	<u>0.0005499%</u>	<u>-0.00026662%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,050,310	\$ (1,352,227)

Actuarial Assumptions - SERS

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

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

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expenses, including expenses
Fiduciary Net Position Depletion	Projected to be 2048
Municipal Bond Index Rate	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate	
Measurement Date	4.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	4.08 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.125 percent - 4.40 percent
Pre-Medicare	6.75 percent - 4.40 percent
Medical Trend Assumption	6.75 percent - 4.40 percent

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

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

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

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

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent) and higher (5.27 percent) than the current discount rate (4.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,342,597	\$ 1,050,310	\$ 819,830
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 771,627	\$ 1,050,310	\$ 1,419,604

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2023 and 2022, actuarial valuation are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.50 percent to 8.50 percent	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 4.14 percent ultimate	7.50 percent initial 3.94 percent ultimate
Medicare	-10.94 percent initial 4.14 percent ultimate	-68.78 percent initial 3.94 percent ultimate
Prescription Drug		
Pre-Medicare	-11.95 percent initial 4.14 percent ultimate	9.00 percent initial 3.94 percent ultimate
Medicare	1.33 percent initial 4.14 percent ultimate	-5.47 percent initial 3.94 percent ultimate

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

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

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

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:

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

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

*Final target weights reflected at October 1, 2022.

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB (Asset)	\$ (1,144,483)	\$ (1,352,227)	\$ (1,533,150)
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB (Asset)	\$ (1,541,545)	\$ (1,352,227)	\$ (1,124,196)

Assumption Changes Since the Prior Measurement Date The discount rate remained unchanged at 7.00 percent for the June 30, 2023 valuation.

Benefit Term Changes Since the Prior Measurement Date Healthcare trends were updated to reflect emerging claims and recoveries experiences as well as benefit changes effective January 1, 2024.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding Balance 6/30/2023	Additions	Deductions	Outstanding Balance 6/30/2024	Amount Due in One Year
<i><u>General Obligation Bonds:</u></i>					
Energy Conservation Bonds	\$ 320,000	\$ -	\$ 15,000	\$ 305,000	\$ 100,000
2019 Refunding Bonds					
Current Interest Serial Bonds	<u>6,810,000</u>	<u>-</u>	<u>735,000</u>	<u>6,075,000</u>	<u>765,000</u>
<i>Total Governmental Long-Term Obligations</i>	<u>\$ 7,130,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 6,380,000</u>	<u>\$ 865,000</u>

General obligation debt will be paid from the general fund and bond retirement fund.

Energy Conservation Bonds – Energy conservation bonds in the amount of \$1,250,000 were issued in accordance with Chapter 133 of the Ohio Revised Code on November 22, 2011 with interest rates ranging from 1.25 to 3.25 percent. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 15 year period with the final payment due on December 1, 2026. The bonds will be retired from the general fund.

2019 Refunding School Improvement General Obligation Bonds – On September 17, 2019 the School District issued \$8,925,000 in voted general obligation bonds. The bonds refunded \$6,510,000 of outstanding 2011 School Improvement General Obligation Refunding Bonds and \$3,215,000 of outstanding 2012 School Improvement General Obligation Refunding Bonds. The bonds were issued for a nineteen year period with final maturity at December 1, 2030.

At the date of refunding, \$9,823,287 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The refunding reduced cash flows required for debt service by \$457,713 over the next eighteen years and resulted in an economic gain of \$413,925.

The bonds were issued with a premium of \$1,072,747 and issuance costs of \$172,453. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$98,287.

The bond issue consists of current interest serial bonds. The serial bonds were issued with an interest rate of 4.00 percent.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2024, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Refunding Bonds		Energy Conservation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 765,000	\$ 227,700	\$ 100,000	\$ 8,288	\$ 865,000	\$ 235,988
2026	795,000	196,500	100,000	5,038	895,000	201,538
2027	835,000	163,900	105,000	1,706	940,000	165,606
2028	860,000	130,000	-	-	860,000	130,000
2029	900,000	94,800	-	-	900,000	94,800
2030 - 2031	1,920,000	77,200	-	-	1,920,000	77,200
	<u>\$ 6,075,000</u>	<u>\$ 890,100</u>	<u>\$ 305,000</u>	<u>\$ 15,031</u>	<u>\$ 6,380,000</u>	<u>\$ 905,131</u>

NOTE 11 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2024, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$341,610 in the general fund and \$296,593 in other governmental funds.

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

Contractual Commitments

The School District had an outstanding contractual commitment for stadium bleachers in the amount of \$404,246 at June 30, 2024.

Based on timing of when contracts are encumbered, the contractual commitment identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

NOTE 12 – FUND BALANCE

Fund balance can be classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for major funds and all other governmental funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 35,082	\$ -	\$ -	\$ 35,082
Restricted for:				
Capital Outlay	-	-	665,360	665,360
Debt Service	-	4,587,222	-	4,587,222
Scholarships	-	-	7,719	7,719
Food Service	-	-	10,514	10,514
State Funded Programs	-	-	22,065	22,065
Extracurricular Activities	-	-	263,895	263,895
Total Restricted	-	4,587,222	969,553	5,556,775
Committed for:				
Extracurricular Activities	-	-	494	494
Assigned for:				
Instruction	109,722	-	-	109,722
Support Services	225,166	-	-	225,166
Subsequent Year Appropriations	1,128,042	-	-	1,128,042
Public School Support	13,343	-	-	13,343
Total Assigned	1,476,273	-	-	1,476,273
Unassigned	9,338,972	-	-	9,338,972
Total Fund Balance	\$ 10,850,327	\$ 4,587,222	\$ 970,047	\$ 16,407,596

Independence Local School District
Cuyahoga County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 13 - SET-ASIDES

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

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

	Capital Improvement Reserve
Set Aside Restricted Balance June 30, 2023	\$ -
Current Year Set Aside Requirement	221,233
Current Year Qualifying Disbursements	<u>(556,776)</u>
Total	<u>\$ (335,543)</u>
Balance Carried Forward to Fiscal Year 2025	<u>\$ -</u>
Set Aside Restricted Balance June 30, 2024	<u>\$ -</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 14 - COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2024, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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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***

Independence Local School District
Cuyahoga County
7733 Stone Road
Independence, Ohio 44131

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independence Local School District, Cuyahoga County, Ohio (the District) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 3, 2026, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2025-001.

District's Response to the Finding

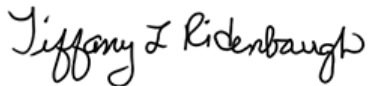
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings. The District's response was not subjected to the other auditing procedures applied in the audit of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

Independence Local School District
Cuyahoga County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 3

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

A handwritten signature in black ink that reads "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

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

September 3, 2026

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**Independence Local School District
Cuyahoga County**

**Schedule of Findings
June 30, 2025 and 2024**

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS
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Finding Number 2025-001

Noncompliance – GAAP Mandated Filing of OCBOA

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

The District should prepare and file its annual financial statements in accordance with generally accepted accounting principles (GAAP) to comply with Ohio Admin. Code 117-2-03(B) and Ohio Rev. Code § 117.38. Preparing GAAP-basis financial statements helps ensure the District's financial reporting is complete, compliant, and provides users with a reliable basis for evaluating its overall financial position and results of operations.

Officials' Response: The Independence Local School District, Board of Education, examined the cost-benefits of GAAP reporting and believes that cash-basis financial statements are the most cost-effective way to produce and provide the readers with an easy-to-understand report. Cash-basis financial statements are similar to management reports produced throughout the fiscal year, such as the five-year forecast, and can be compared without adjustments.

Summary Schedule of Prior Audit Findings
Fiscal Year Ends June 30, 2025 and 2024

Finding Number 2023-001

Finding Summary:

The District is required to file financial statements under Generally Accepted Accounting Principles but filed under a cash basis other comprehensive basis of accounting.

Finding Status:

Not Corrected

Additional Information:

- Repeated as Finding Number 2025-001
- The District believes cash-basis financial statements are the most cost-effective way to produce and provide readers with an easy-to-understand report.

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENCE LOCAL SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/24/2026

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