



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2020**

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**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Rolling Hills Local School District  
Guernsey County  
P.O. Box 38  
Byesville, Ohio 43723

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities/Assets and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2021

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# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

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The discussion and analysis of the Rolling Hills 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, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

*Key financial highlights for fiscal year 2020 are as follows:*

- Net position of governmental activities decreased \$62,764.
- General revenues accounted for \$16,370,931 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$5,576,540 or 25 percent of total revenues of \$21,947,471.
- The School District had \$22,010,235 in expenses related to governmental activities; only \$5,576,540 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily taxes and intergovernmental) of \$16,370,931 were not adequate to cover the remaining expenses.
- Total governmental funds had \$22,719,828 in revenues and \$21,313,458 in expenditures. Total governmental fund balances increased \$1,406,370.

### **USING THE BASIC FINANCIAL STATEMENTS**

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide 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 non-major funds presented in total in one column.

#### ***Reporting the School District as a Whole***

##### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, 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 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

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

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for healthcare self-insurance.

### ***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The School District is also the fiduciary for the Ohio High School Athletic Association tournaments. This activity is presented as a custodial fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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.

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019.

# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

**Table 1**  
**Net Position**

	2020	2019	Change
<b>Assets</b>			
Current and Other Assets	\$19,087,861	\$16,974,461	\$2,113,400
Capital Assets	9,248,234	9,530,761	(282,527)
Net OPEB Asset	1,083,258	1,074,250	9,008
Total Assets	<u>29,419,353</u>	<u>27,579,472</u>	<u>1,839,881</u>
<b>Deferred Outflows of Resources</b>			
Pension	3,421,450	4,814,275	(1,392,825)
OPEB	354,700	273,247	81,453
Total Deferred Outflows	<u>3,776,150</u>	<u>5,087,522</u>	<u>(1,311,372)</u>
<b>Liabilities</b>			
Other Liabilities	2,285,337	2,269,807	15,530
Long-Term Liabilities:			
Due Within One Year	147,105	222,685	(75,580)
Due in More Than One Year:			
Net Pension Liability	18,573,147	18,815,279	(242,132)
Net OPEB Liability	1,770,264	2,013,246	(242,982)
Other Amounts	1,270,394	1,228,969	41,425
Total Liabilities	<u>24,046,247</u>	<u>24,549,986</u>	<u>(503,739)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,773,314	4,573,152	1,200,162
Pension	1,270,083	1,395,986	(125,903)
OPEB	1,915,141	1,894,388	20,753
Total Deferred Inflows of Resources	<u>8,958,538</u>	<u>7,863,526</u>	<u>1,095,012</u>
<b>Net Position</b>			
Net Investment in Capital Assets	8,948,234	9,133,379	(185,145)
Restricted	834,537	267,577	566,960
Unrestricted (Deficits)	<u>(9,592,053)</u>	<u>(9,147,474)</u>	<u>(444,579)</u>
Total Net Position	<u>\$190,718</u>	<u>\$253,482</u>	<u>(\$62,764)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences, are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return

## **Rolling Hills Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

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on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

Total assets increased \$1,839,881. Current and other assets increased by \$2,113,400, primarily due to increases in cash and cash equivalents; property taxes receivable, due to an increase in property valuation; and prepaid items, due to the timing of liability insurance and workers' compensation payments. The net OPEB asset increased \$9,008.

Total liabilities decreased \$503,739. Decreases in net pension liability, net OPEB liability, and accrued wages and benefits payable of \$242,132, \$242,982, and \$173,119, respectively, were offset by increases in intergovernmental payable of \$226,093 and other amounts due in more than one year of \$41,425.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2020, and comparisons to fiscal year 2019.

# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

**Table 2**  
**Changes in Net Position**

<b>Revenues</b>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$1,979,149	\$2,025,099	(\$45,950)
Operating Grants and Contributions	3,597,391	3,256,396	340,995
Total Program Revenues	<u>5,576,540</u>	<u>5,281,495</u>	<u>295,045</u>
General Revenues:			
Property Taxes	6,519,826	6,937,744	(417,918)
Grants and Entitlements	9,514,817	9,506,557	8,260
Interest	141,930	185,036	(43,106)
Miscellaneous	194,358	123,501	70,857
Total General Revenues	<u>16,370,931</u>	<u>16,752,838</u>	<u>(381,907)</u>
Total Revenues	<u>21,947,471</u>	<u>22,034,333</u>	<u>(86,862)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	10,948,889	9,454,612	1,494,277
Special	2,415,321	2,126,211	289,110
Vocational	190,640	164,912	25,728
Student Intervention Services	2,169	7,431	(5,262)
Support Services:			
Pupils	657,796	549,783	108,013
Instructional Staff	829,552	973,771	(144,219)
Board of Education	19,476	19,126	350
Administration	1,902,815	1,476,502	426,313
Fiscal	607,614	597,823	9,791
Operation and Maintenance of Plant	1,717,788	1,741,384	(23,596)
Pupil Transportation	1,000,677	1,053,332	(52,655)
Central	125,513	119,325	6,188
Operation of Non-Instructional Services:			
Food Service Operations	910,175	926,453	(16,278)
Community Services	32,732	23,826	8,906
Extracurricular Activities	627,969	533,080	94,889
Interest and Fiscal Charges	21,109	16,947	4,162
Total Expenses	<u>22,010,235</u>	<u>19,784,518</u>	<u>2,225,717</u>
Change in Net Position	(62,764)	2,249,815	(2,312,579)
Net Position Beginning of Year	<u>253,482</u>	<u>(1,996,333)</u>	<u>2,249,815</u>
Net Position End of Year	<u>\$190,718</u>	<u>\$253,482</u>	<u>(\$62,764)</u>

The largest component of the increase in program expenses results from changes in benefit terms related to pension and OPEB from the prior year. For the prior year, STRS adopted certain changes in benefit terms. As a result of these changes, pension expense increased from \$1,230,149 to \$1,842,717. OPEB expenses for STRS increased from a negative \$2,330,198 in fiscal year 2019 to a positive expense of \$334,593.

Property taxes made up approximately 30 percent of revenues for governmental activities for the Rolling Hills Local School District. Property taxes receivable has increased from the prior, however, property tax revenue decreased in the amount of \$417,918. This decrease is due to the amount available to the School District as an advance in addition to the amount of delinquent taxes at fiscal year-end. Of the remaining revenues, the School District receives 60 percent from state foundation, federal, and state grants; 9 percent from charges for services; and 1 percent from investment earnings and miscellaneous.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase

# Rolling Hills Local School District, Ohio

## *Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2020*

*Unaudited*

solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the relatively sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up just 30 percent of revenues for governmental activities for Rolling Hills Local School District in 2020. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Approximately 62 percent of the School District's budget for expenses is used to fund instructional expenses. Support services make up 31 percent of expenses and 7 percent is used for the remaining expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	2020 Total Cost of Services	2020 Net Cost of Services	2019 Total Cost of Services	2019 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,948,889	\$8,701,120	\$9,454,612	\$7,254,980
Special	2,415,321	1,324,970	2,126,211	838,427
Vocational	190,640	51,965	164,912	26,237
Student Intervention Services	2,169	2,169	7,431	7,431
Support Services:				
Pupils	657,796	124,335	549,783	377,688
Instructional Staff	829,552	638,890	973,771	609,980
Board of Education	19,476	19,476	19,126	19,126
Administration	1,902,815	1,902,815	1,476,502	1,475,828
Fiscal	607,614	607,614	597,823	597,823
Operation and Maintenance of Plant	1,717,788	1,546,699	1,741,384	1,673,948
Pupil Transportation	1,000,677	971,029	1,053,332	1,042,935
Central	125,513	120,464	119,325	119,325
Non-Instructional Services:				
Food Service Operations	910,175	76,379	926,453	129,152
Community Services	32,732	20,544	23,826	228
Extracurricular Activities	627,969	304,117	533,080	312,968
Interest and Fiscal Charges	21,109	21,109	16,947	16,947
<b>Totals</b>	<b>\$22,010,235</b>	<b>\$16,433,695</b>	<b>\$19,784,518</b>	<b>\$14,503,023</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 75 percent of total expenses are supported through taxes and other general revenues.

# Rolling Hills Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2020

Unaudited

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## THE SCHOOL DISTRICT FUNDS

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,719,828 and expenditures of \$21,313,458. The net change in fund balance, including other financing source (use) was \$1,406,370.

The fund balance of the General Fund increased \$832,740. The General Fund's unassigned fund balance of \$5,738,779 represented 31 percent of current year expenditures.

### *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.

During the course of fiscal 2020, the School District did not amend its General Fund estimated revenues or appropriations. For the General Fund, the final estimated revenues, including other the financing source, were \$18,389,229, \$886,546 below actual revenues. The final estimated expenditures, including the other financing use, were \$19,650,751, \$911,545 above actual expenditures.

The School District's ending unobligated General Fund balance was \$7,913,632.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2020, the School District had \$9,248,234 invested, net of depreciation, in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2020 balances compared to 2019.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	2020	2019
Land	\$214,502	\$214,502
Construction in Progress	0	32,166
Land Improvements	1,775,246	1,645,375
Buildings and Improvements	6,446,258	6,813,816
Furniture, Fixtures, and Equipment	377,085	378,893
Vehicles	435,143	446,009
Totals	<u>\$9,248,234</u>	<u>\$9,530,761</u>

For additional information on capital assets, see Note 10 to the basic financial statements.

# Rolling Hills Local School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2020

Unaudited

### Debt

At June 30, 2020, the School District had \$300,000 outstanding in energy conservation notes, with \$60,000 due within one year. Table 5 shows fiscal year 2020 balances compared to 2019.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

	<u>2020</u>	<u>2019</u>
2010 Energy Conservation Notes		
Term Notes 2.0%-4.15%	\$300,000	\$300,000
Capital Appreciation Notes 14.41%	0	12,945
Accretion of Interest	0	27,984
Premium	10,338	12,923
Capital Leases	<u>0</u>	<u>84,437</u>
Totals	<u>\$310,338</u>	<u>\$438,289</u>

For additional information on debt, see Notes 15 and 16 to the basic financial statements.

### CURRENT ISSUES

The School District ended fiscal year 2020 with an overall decrease in net position, primarily due to deferred outflows related to the net pension liability and deferred inflows related to property taxes. Based on the current financial situation, the School District will continue to be proactive in maintaining a balanced budget for fiscal year 2021. The athletic activities are being subsidized in part by donations. However, these activities continue to rely on unrestricted General Fund resources in order to maintain a positive balance. The School District's emergency replacement levy was passed in November of 2016, and generates approximately \$1,400,000 annually. Based on these factors, the Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to ensure the future financial stability of the School District.

### CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and 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 Kandi Raach, Treasurer/CFO at Rolling Hills Local School District, P.O. Box 38, Byesville, Ohio 43723.



**Rolling Hills Local School District, Ohio**  
*Statement of Net Position*  
*June 30, 2020*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,953,484
Inventory Held for Resale	2,523
Materials and Supplies Inventory	30,158
Accounts Receivable	124,268
Intergovernmental Receivable	659,150
Prepaid Items	136,598
Property Taxes Receivable	8,181,680
Net OPEB Asset	1,083,258
Nondepreciable Capital Assets	214,502
Depreciable Capital Assets, Net	9,033,732
<i>Total Assets</i>	<i>29,419,353</i>
<b>Deferred Outflows of Resources</b>	
Pension	3,421,450
OPEB	354,700
<i>Total Deferred Outflows of Resources</i>	<i>3,776,150</i>
<b>Liabilities</b>	
Accounts Payable	49,396
Accrued Wages and Benefits Payable	1,301,440
Accrued Interest Payable	1,038
Intergovernmental Payable	599,557
Claims Payable	333,906
Long-Term Liabilities:	
Due Within One Year	147,105
Due in More Than One Year	
Net Pension Liability	18,573,147
Net OPEB Liability	1,770,264
Other Amounts	1,270,394
<i>Total Liabilities</i>	<i>24,046,247</i>
<b>Deferred Inflows of Resources</b>	
Property Taxes	5,773,314
Pension	1,270,083
OPEB	1,915,141
<i>Total Deferred Inflows of Resources</i>	<i>8,958,538</i>
<b>Net Position</b>	
Net Investment in Capital Assets	8,948,234
Restricted for:	
Classroom Facilities Maintenance	36,590
State Programs	478,097
Federal Programs	182,870
Student Managed Activities	60,706
Local Programs	76,274
Unrestricted (Deficit)	(9,592,053)
<i>Total Net Position</i>	<i>\$190,718</i>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June, 30, 2020

	Program Revenues			Net Expense and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$10,948,889	\$1,131,583	\$1,116,186	(\$8,701,120)
Special	2,415,321	195,083	895,268	(1,324,970)
Vocational	190,640	0	138,675	(51,965)
Student Intervention Services	2,169	0	0	(2,169)
Support Services:				
Pupils	657,796	143,302	390,159	(124,335)
Instructional Staff	829,552	0	190,662	(638,890)
Board of Education	19,476	0	0	(19,476)
Administration	1,902,815	0	0	(1,902,815)
Fiscal	607,614	0	0	(607,614)
Operation and Maintenance of Plant	1,717,788	54,650	116,439	(1,546,699)
Pupil Transportation	1,000,677	14,855	14,793	(971,029)
Central	125,513	5,049	0	(120,464)
Operation of Non-Instructional Services:				
Food Service Operations	910,175	114,131	719,665	(76,379)
Community Services	32,732	0	12,188	(20,544)
Extracurricular Activities	627,969	320,496	3,356	(304,117)
Interest and Fiscal Charges	21,109	0	0	(21,109)
<i>Total Primary Government</i>	<u>\$22,010,235</u>	<u>\$1,979,149</u>	<u>\$3,597,391</u>	<u>(16,433,695)</u>

**General Revenues**

Property Taxes Levied for General Purposes	6,519,826
Grants and Entitlements not Restricted to Specific Programs	9,514,817
Interest	141,930
Revenue in Lieu of Taxes	100,000
Miscellaneous	94,358
<i>Total General Revenues</i>	<u>16,370,931</u>
<i>Change in Net Position</i>	(62,764)
<i>Net Position Beginning of Year</i>	<u>253,482</u>
<i>Net Position End of Year</i>	<u><u>\$190,718</u></u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2020*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,029,385	\$653,990	\$8,683,375
Receivables:			
Property Taxes	8,181,680	0	8,181,680
Accounts	5,397	9,743	15,140
Intergovernmental	145,618	513,532	659,150
Interfund	145,840	0	145,840
Prepaid Items	135,011	1,587	136,598
Inventory Held for Resale	0	2,523	2,523
Materials and Supplies Inventory	21,525	8,633	30,158
<i>Total Assets</i>	<u>\$16,664,456</u>	<u>\$1,190,008</u>	<u>\$17,854,464</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$23,251	\$26,145	\$49,396
Accrued Wages and Benefits Payable	1,165,015	136,425	1,301,440
Interfund Payable	0	145,840	145,840
Intergovernmental Payable	560,980	38,577	599,557
<i>Total Liabilities</i>	<u>1,749,246</u>	<u>346,987</u>	<u>2,096,233</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	5,773,314	0	5,773,314
Unavailable Revenue	385,053	230,380	615,433
<i>Total Deferred Inflows of Resources</i>	<u>6,158,367</u>	<u>230,380</u>	<u>6,388,747</u>
<b>Fund Balances</b>			
Nonspendable:			
Inventories	21,525	8,633	30,158
Prepaid Items	135,011	1,587	136,598
Restricted for:			
Classroom Facilities Maintenance	0	36,590	36,590
State Grant Expenditures	0	475,695	475,695
Student Managed Activities	0	60,706	60,706
Local Programs	0	76,274	76,274
Assigned to:			
Purchases on Order	206,726	0	206,726
Subsequent Year Appropriations	810,770	0	810,770
School Support Services	41,213	0	41,213
Unassigned (Deficit)	7,541,598	(46,844)	7,494,754
<i>Total Fund Balances</i>	<u>8,756,843</u>	<u>612,641</u>	<u>9,369,484</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$16,664,456</u>	<u>\$1,190,008</u>	<u>\$17,854,464</u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2020*

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<b>Total Governmental Fund Balances</b>	<b>\$9,369,484</b>
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*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,248,234
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	294,777
Tuition and Fees	5,397
Charges for Services	9,743
Intergovernmental Revenue	<u>305,516</u>
	615,433

The net OPEB asset and the net pension/OPEB are not due and payable in the current period and therefore the asset, liability, and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	3,421,450
Deferred Inflows - Pension	(1,270,083)
Net Pension Liability	(18,573,147)
Deferred Outflows - OPEB	354,700
Deferred Inflows - OPEB	(1,915,141)
Net OPEB Asset	1,083,258
Net OPEB Liability	<u>(1,770,264)</u>
	(18,669,227)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,045,331
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Energy Conservation Notes Term	(300,000)
Bond Premium	(10,338)
Compensated Absences	(1,107,161)
Accrued Interest Payable	<u>(1,038)</u>
	<u>(1,418,537)</u>

Net Position of Governmental Activities	<u><u>\$190,718</u></u>
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See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$7,301,401	\$0	\$7,301,401
Intergovernmental	10,271,060	2,680,809	12,951,869
Interest	141,929	0	141,929
Tuition and Fees	1,388,532	0	1,388,532
Charges for Services	0	109,553	109,553
Extracurricular	143,302	350,289	493,591
Rent	459	48,000	48,459
Gifts and Donations	18,264	11,356	29,620
Revenue in Lieu of Taxes	100,000	0	100,000
Miscellaneous	146,211	8,663	154,874
<i>Total Revenues</i>	<u>19,511,158</u>	<u>3,208,670</u>	<u>22,719,828</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,451,580	983,823	10,435,403
Special	2,157,016	178,323	2,335,339
Vocational	177,947	0	177,947
Student Intervention Services	2,169	0	2,169
Support Services:			
Pupils	498,013	146,535	644,548
Instructional Staff	628,668	185,660	814,328
Board of Education	19,476	0	19,476
Administration	1,832,881	0	1,832,881
Fiscal	588,680	0	588,680
Operation and Maintenance of Plant	1,548,808	48,838	1,597,646
Pupil Transportation	913,059	36,737	949,796
Central	112,651	7,882	120,533
Operation of Non-Instructional Services:			
Food Service Operations	0	827,654	827,654
Community Services	21,427	11,305	32,732
Extracurricular Activities	39,170	434,063	473,233
Capital Outlay	312,033	0	312,033
Debt Service:			
Principal Retirement	84,437	12,945	97,382
Interest on Capital Appreciation Bonds	0	30,829	30,829
Interest and Fiscal Charges	2,173	18,676	20,849
<i>Total Expenditures</i>	<u>18,390,188</u>	<u>2,923,270</u>	<u>21,313,458</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,120,970</u>	<u>285,400</u>	<u>1,406,370</u>
<b>Other Financing Source (Use)</b>			
Transfers In	0	288,230	288,230
Transfers Out	(288,230)	0	(288,230)
<i>Total Other Financing Source (Use)</i>	<u>(288,230)</u>	<u>288,230</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	832,740	573,630	1,406,370
<i>Fund Balances Beginning of Year</i>	<u>7,924,103</u>	<u>39,011</u>	<u>7,963,114</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,756,843</u></u>	<u><u>\$612,641</u></u>	<u><u>\$9,369,484</u></u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Reconciliation of the Net Change in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2020*

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**Net Change in Fund Balance - Total Governmental Funds** \$1,406,370

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

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

Capital Asset Additions	475,245	
Depreciation Expense	<u>(757,772)</u>	(282,527)

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

Delinquent Property Taxes	(781,575)	
Tuition and Fees	(61,866)	
Charges for Services	880	
Grants	130,719	
Miscellaneous	<u>(60,516)</u>	(772,358)

Repayments of principal and capital appreciation bond interest are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.

Capital Appreciation Notes	12,945	
Capital Appreciation Bond Interest	30,829	
Capital Lease	<u>84,437</u>	128,211

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

Amortization of Note Premium	2,585	
Capital Appreciation Note Accretion	<u>(2,845)</u>	(260)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net change of the internal service fund is reported with governmental activities. 263,696

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

Pension	1,422,919	
OPEB	<u>42,209</u>	1,465,128

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

Pension	(2,447,709)	
OPEB	<u>270,481</u>	(2,177,228)

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

Compensated Absences		<u>(93,796)</u>
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*Change in Net Position of Governmental Activities* (\$62,764)

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$6,833,383	\$6,833,383	\$7,162,821	\$329,438
Intergovernmental	9,843,992	9,843,992	10,318,572	474,580
Interest	135,401	135,401	141,929	6,528
Tuition and Fees	1,324,670	1,324,670	1,388,532	63,862
Rent	438	438	459	21
Revenue in Lieu of Taxes	95,401	95,401	100,000	4,599
Gifts and Donations	10,286	10,286	10,782	496
Miscellaneous	144,804	144,804	151,785	6,981
<i>Total Revenues</i>	<u>18,388,375</u>	<u>18,388,375</u>	<u>19,274,880</u>	<u>886,505</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,604,954	9,604,954	9,348,683	256,271
Special	2,237,957	2,237,957	2,159,526	78,431
Vocational	223,808	223,808	203,029	20,779
Student Intervention Services	5,180	5,180	5,056	124
Support Services:				
Pupils	385,564	385,564	376,202	9,362
Instructional Staff	755,269	755,269	673,130	82,139
Board of Education	21,202	21,202	20,693	509
Administration	1,950,230	1,950,230	1,869,576	80,654
Fiscal	620,426	620,426	603,760	16,666
Operation and Maintenance of Plant	1,834,037	1,834,037	1,639,527	194,510
Pupil Transportation	1,031,533	1,031,533	975,462	56,071
Central	119,303	119,303	114,156	5,147
Operation of Non-Instructional Services	21,976	21,976	21,325	651
Extracurricular Activities	39,620	39,620	38,669	951
Capital Outlay	415,635	415,635	315,572	100,063
Debt Service:				
Principal	86,513	86,513	84,437	2,076
Interest	2,226	2,226	2,173	53
<i>Total Expenditures</i>	<u>19,355,433</u>	<u>19,355,433</u>	<u>18,450,976</u>	<u>904,457</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(967,058)</u>	<u>(967,058)</u>	<u>823,904</u>	<u>1,790,962</u>
<b>Other Financing Source (Use)</b>				
Refund of Prior Year Expenditures	854	854	895	41
Transfers Out	(295,318)	(295,318)	(288,230)	7,088
<i>Total Other Financing Source (Use)</i>	<u>(294,464)</u>	<u>(294,464)</u>	<u>(287,335)</u>	<u>7,129</u>
<i>Net Change in Fund Balance</i>	(1,261,522)	(1,261,522)	536,569	1,798,091
<i>Fund Balance Beginning of Year</i>	6,926,312	6,926,312	6,926,312	0
Prior Year Encumbrances Appropriated	450,751	450,751	450,751	0
<i>Fund Balance End of Year</i>	<u>\$6,115,541</u>	<u>\$6,115,541</u>	<u>\$7,913,632</u>	<u>\$1,798,091</u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Fund Net Position*  
*Medical Self-Insurance Internal Service Fund*  
*June 30, 2020*

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<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,270,109
Accounts Receivable	<u>109,128</u>
<i>Total Assets</i>	1,379,237
 <b>Current Liabilities</b>	
Claims Payable	<u>333,906</u>
 <b>Net Position</b>	
Unrestricted	<u><u>\$1,045,331</u></u>

See accompanying notes to the basic financial statements



**Rolling Hills Local School District, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Medical Self-Insurance Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2020*

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<b>Operating Revenues</b>	
Charges for Services	<u>\$2,639,037</u>
<b>Operating Expenses</b>	
Purchased Services	471,138
Claims	<u>1,904,204</u>
<i>Total Operating Expenses</i>	<u>2,375,342</u>
Operating Income	263,695
<b>Non-Operating Revenue</b>	
Interest Income	<u>1</u>
Change in Net Position	263,696
Net Position Beginning of Year	<u>781,635</u>
Net Position End of Year	<u><u>\$1,045,331</u></u>

See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**  
*Statement of Cash Flows*  
*Medical Self-Insurance Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2020*

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Interfund Services Provided	\$2,639,037
Cash Payments for Services	(471,138)
Cash Payments for Claims	<u>(1,872,554)</u>

Net Cash Provided by Operating Activities	295,345
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**Cash Flows from Investing Activities**

Interest on Investments	<u>1</u>
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Cash and Cash Equivalents at Beginning of Year	<u>974,763</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$1,270,109</u></u>
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**Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities**

Operating Income	\$263,695
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**Changes in Assets and Liabilities**

Decrease in Accounts Receivable	26,124
Increase in Claims Payable	<u>5,526</u>

Net Cash Provided by Operating Activities	<u><u>\$295,345</u></u>
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See accompanying notes to the basic financial statements

**Rolling Hills Local School District, Ohio**

*Statement of Fiduciary Net Position*

*Private Purpose Trust Fund*

*June 30, 2020*

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	<u>Private Purpose Trust</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,238
Cash and Cash Equivalents with Fiscal Agents	<u>1,094,734</u>
<i>Total Assets</i>	<u><u>\$1,103,972</u></u>
<b>Net Position</b>	
Held in Trust for Scholarships	<u><u>\$1,103,972</u></u>
 See accompanying notes to the basic financial statements	

**Rolling Hills Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund and Custodial Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Private Purpose Trust	Custodial
<b>Additions</b>		
Gifts and Contribution	\$31,220	\$0
Interest	16,884	0
Increase in Fair Value of Investments	2,585	0
Charges Received for Ohio High School Athletic Association	0	32,687
<i>Total Additions</i>	<u>50,689</u>	<u>32,687</u>
<b>Deductions</b>		
Payments in Accordance with Trust Agreements	51,755	0
Distributions on Behalf of Ohio High School Athletic Association	0	32,687
<i>Total Deductions</i>	<u>51,755</u>	<u>32,687</u>
Change in Net Position	(1,066)	0
Net Position Beginning of Year	<u>1,105,038</u>	<u>0</u>
Net Position End of Year	<u><u>\$1,103,972</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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## **Note 1 - Description of the School District and Reporting Entity**

Rolling Hills Local 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 State statute and federal guidelines. This Board of Education controls the School District's six instructional/support facilities staffed by 68 classified employees, 29 administrative employees, and 108 certified teaching and administrative personnel who provide services to 1,664 students and other community members.

### ***Reporting Entity***

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

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

The School District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, the Metropolitan Educational Technology Association (META) Solutions, the Coalition of Rural and Appalachian Schools, the Ohio Coalition for Equity and Adequacy of School Funding, the Ohio School Plan (OSP), and the Ohio School Boards Association Workers' Compensation Group Rating Program. Additional information concerning these organizations is presented in Notes 18 and 19.

## **Note 2 - Summary of Significant Accounting Policies**

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

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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## **A. 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 the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

## **B. Fund Accounting**

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

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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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**General Fund** The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income/loss, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

**Medical Self-Insurance Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical/surgical, dental, and prescription drug claims.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has a private purpose trust fund which accounts for various college scholarships for students. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District has one custodial fund. The custodial fund is used to account for assets held by the School District as fiscal agent for Ohio High School Athletic Association tournaments.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities accounts for increases (revenues) and decreases (expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants and entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.



## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental revenues, charges for services, and tuition and fees. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 12 and 13).

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

### ***E. Cash and Cash Equivalents***

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

The School District has amounts presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents" which represents money held by the Foundation for Appalachian Ohio for the Miriam Hawes Legacy Endowment Fund, a scholarship fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$141,929, which includes \$31,265 assigned from other School District funds.

During fiscal year 2020, the School District invested in STAR Ohio. 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*.

# Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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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.

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 is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as equity in pooled cash and cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

## ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

## ***G. Inventory***

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

## ***H. Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Buildings and Improvements	5-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	10 years

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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### ***I. Internal Activity***

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren't eliminated.

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

### ***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Classified employees are permitted to carry over ten vacation days to the next year; administrative employees can carry over fifteen days. Employees cannot accumulate more than the current year's earned vacation plus ten days for classified employees and fifteen days for administrative employees.

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

### ***K. Accrued Liabilities and Long-term Obligations***

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

### ***L. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated on the Statement of Net Position.

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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### ***M. Note Premiums***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Note premiums are deferred and amortized over the term of the notes using the straight-line method, which approximates the effective interest method. Notes payable are reported net of the applicable note premium or discount.

Note discounts on the capital appreciation notes are deferred and accreted over the term of the notes.

On the governmental fund financial statements, note premiums are recognized in the period in which the debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

### ***N. Fund Balance***

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

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

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

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the 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 for purchases on order, subsequent year appropriations, and school support services represent intended uses established by the Board of Education.

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

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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

### ***O. Pensions/Other Postemployment Benefits (OPEB)***

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

### ***P. Estimates***

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

### ***Q. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

### ***S. Budgetary Process***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the School District may appropriate.

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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

The appropriation resolution is subject to amendment throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### Note 3 - Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

### Note 4 - Fund Deficits

The following funds had deficit fund balances as of June 30, 2020:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Food Service	\$1,259
Title I	24,566
Miscellaneous Federal Grants	12,386

These deficits resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP basis), but not on the cash basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$832,740
Revenue Accruals	(84,599)
Expenditure Accruals	27,993
Prepaid Items:	
Beginning of Year	130,336
End of Year	(135,011)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types	(19,919)
Encumbrances	<u>(214,971)</u>
Budget Basis	<u><u>\$536,569</u></u>

### Note 6 - Deposits and Investments

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

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



# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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**Investments** As of June 30, 2020, the School District had the following investment:

	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>
Net Asset Value Per Share Star Ohio	\$6,129,295	Average 41.5 days	AAAm

**Interest Rate Risk:** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk:** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

## Note 7 - Property Taxes and Abatements

### *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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at thirty-five 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 Guernsey, Noble, and Muskingum Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance, and recognized as revenue at June 30, 2020, was \$2,113,589 in the General Fund. At June 30, 2019, \$1,975,009 was available in the General Fund.

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

Assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$235,420,310	76.25%	\$239,763,820	76.49%
Public Utility Personal	73,340,750	23.75%	73,703,420	23.51%
<b>Total</b>	<b>\$308,761,060</b>	<b>100.00%</b>	<b>\$313,467,240</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$24.10		\$24.50	

### ***Abatements***

School District property taxes were reduced as follows under county and city agreements entered into by overlapping governments:

Overlapping Governments	2020 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Guernsey County	\$230,548
City of Cambridge	33,975
 <i>Enterprise Zones:</i>	
Guernsey County	55,921

### **Note 8 - Receivables**

Receivables at June 30, 2020, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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<u>Governmental Activities</u>	<u>Amounts</u>
Title I	\$ 188,473
State Foundation	144,013
Idea-B	114,056
21st Century	79,138
Food Service	66,274
Title II-A	26,941
Title VI-A	15,205
Agriculture Education	9,023
Title VI-B	8,863
6b Idea Restoration	4,947
Miscellaneous Receivable	1,605
Ohio School Climate	612
Total	<u>\$659,150</u>

## Note 9 - Significant Commitments

### A. Encumbrances

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

General	\$214,971
Nonmajor Governmental Funds	<u>164,213</u>
Total	<u>\$379,184</u>

## Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

	Balance at 6/30/19	Additions	Deductions	Balance at 6/30/20
Capital Assets:				
Nondepreciable Capital Assets:				
Land	\$214,502	\$0	\$0	\$214,502
Construction in Progress	32,166	0	32,166	0
Total Nondepreciable Capital Assets	246,668	0	32,166	214,502
Depreciable Capital Assets:				
Land Improvements	3,300,907	325,629	0	3,626,536
Buildings and Improvements	18,846,660	0	0	18,846,660
Furniture, Fixtures, and Equipment	3,991,467	75,026	7,282	4,059,211
Vehicles	1,907,246	106,756	0	2,014,002
Total Depreciable Capital Assets	28,046,280	507,411	7,282	28,546,409
Less Accumulated Depreciation:				
Land Improvements	(1,655,532)	(195,758)	0	(1,851,290)
Buildings and Improvements	(12,032,844)	(367,558)	0	(12,400,402)
Furniture, Fixtures, and Equipment	(3,612,574)	(76,834)	7,282	(3,682,126)
Vehicles	(1,461,237)	(117,622)	0	(1,578,859)
Total Accumulated Depreciation	(18,762,187)	(757,772) *	7,282	(19,512,677)
Total Capital Assets being Depreciated, Net	9,284,093	(250,361)	0	9,033,732
Capital Assets, Net	\$9,530,761	(\$250,361)	\$32,166	\$9,248,234

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$216,275
Special	33,512
Support Services:	
Pupils	13,069
Instructional Staff	25,068
Administration	34,409
Fiscal	8,116
Operation and Maintenance of Plant	101,857
Pupil Transportation	122,132
Central	2,705
Food Service Operations	42,390
Extracurricular Activities	158,239
Total Depreciation Expense	\$757,772

Included in additions and deletions in the above table is a reclass of construction in progress in the amount of \$32,166 due to the completion of a land improvement project.

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

## Note 11 - Risk Management

### A. 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. For fiscal year 2020, the School District contracted with the Ohio School Plan (OSP) for the following coverage:

Commercial Property Coverage Blanket	\$79,153,614	\$1,000 deductible
Commercial Crime Coverage	25,000	1,000 deductible
Fleet Insurance:		
Liability	3,000,000	any one accident
Auto Medical Payments	5,000	any one accident
Uninsured Motorists	1,000,000	any one accident
Comprehensive	Cash Value	250/1,000 deductible
Collision	Cash Value	500/1,000 deductible
General Liability:		
Educational General Liability	3,000,000	each occurrence
Personal and Advertising Injury	3,000,000	each offense
Medical Expense	10,000	each accident
General Aggregate	5,000,000	
Products Aggregate	3,000,000	
Employee Benefits Liability	3,000,000	2,500 Deductible
Aggregate	5,000,000	
Employers' Liability	3,000,000	
Errors and Omissions	3,000,000	
Aggregate	5,000,000	
Employment Practices	3,000,000	
Aggregate	5,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2019.

### B. Workers' Compensation

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

### C. Employee Medical Benefits

The School District has elected to provide employee medical/surgical, dental, and prescription drug benefits through a self-insured plan. Medical Benefits Administrators, Inc. serves as claims servicer for this coverage. The claims liability of \$333,906 reported in the internal service fund at June 30, 2020, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 2019 and 2020 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2019	\$372,067	\$2,232,685	\$2,276,372	\$328,380
2020	328,380	1,878,080 (1)	1,872,554	333,906
(1) Claims Expense		\$1,904,204		
Increase in Stop Loss Reimbursement Receivable		(26,124)		
Current Year Claims		<u>\$1,878,080</u>		

### **Note 12 - Defined Benefit Pension Plans**

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

#### ***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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).

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

### ***Plan Description - School Employees Retirement System (SERS)***

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

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. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$342,907 for fiscal year 2020. Of this amount, \$77,772 is reported as an intergovernmental payable.

### ***Plan Description - State Teachers Retirement System (STRS)***

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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



## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
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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 must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,080,012 for fiscal year 2020. Of this amount, \$183,682 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.07186660%	0.06685242%	
Current Measurement Date	0.06868110%	0.06540461%	
Change in Proportionate Share	-0.00318550%	-0.00144781%	
Proportionate Share of the Net Pension Liability	\$4,109,311	\$14,463,836	\$18,573,147
Pension Expense	\$604,992	\$1,842,717	\$2,447,709

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$104,203	\$117,760	\$221,963
Changes of assumptions	0	1,699,057	1,699,057
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	43,508	34,003	77,511
School District contributions subsequent to the measurement date	342,907	1,080,012	1,422,919
<b>Total Deferred Outflows of Resources</b>	<b>\$490,618</b>	<b>\$2,930,832</b>	<b>\$3,421,450</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$62,611	\$62,611
Net difference between projected and actual earnings on pension plan investments	52,748	706,914	759,662
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	115,687	332,123	447,810
<b>Total Deferred Inflows of Resources</b>	<b>\$168,435</b>	<b>\$1,101,648</b>	<b>\$1,270,083</b>

\$1,422,919 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$78,453	\$779,483	\$857,936
2022	(125,582)	98,461	(27,121)
2023	(3,509)	(152,002)	(155,511)
2024	29,914	23,230	53,144
Total	(\$20,724)	\$749,172	\$728,448

### ***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

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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.

**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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,758,613	\$4,109,311	\$2,726,164

### **Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 100.00 %	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$21,137,286	\$14,463,836	\$8,814,420

### Note 13 - Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability.

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements  
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### ***Plan Description - School Employees Retirement System (SERS)***

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$42,209.

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 \$42,209 for fiscal year 2020, all is reported as an intergovernmental payable.

### ***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
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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 fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2019, 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 and OPEB expense:

	SERS	STRS	
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.07256850%	0.06685242%	
Current Measurement Date	0.07039410%	0.06540461%	
Change in Proportionate Share	-0.00217440%	-0.00144781%	
Proportionate Share of the:			Total
Net OPEB Liability	\$1,770,264	\$0	\$1,770,264
Net OPEB Asset	\$0	\$1,083,258	\$1,083,258
OPEB Expense	\$64,112	(\$334,593)	(\$270,481)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$25,986	\$98,204	\$124,190
Changes of assumptions	129,298	22,770	152,068
Net difference between projected and actual earnings on OPEB plan investments	4,249	0	4,249
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	19,136	12,848	31,984
School District contributions subsequent to the measurement date	42,209	0	42,209
Total Deferred Outflows of Resources	<u>\$220,878</u>	<u>\$133,822</u>	<u>\$354,700</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$388,915	\$55,112	\$444,027
Changes of assumptions	99,200	1,187,664	1,286,864
Net difference between projected and actual earnings on OPEB plan investments	0	68,037	68,037
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	96,898	19,315	116,213
Total Deferred Inflows of Resources	<u>\$585,013</u>	<u>\$1,330,128</u>	<u>\$1,915,141</u>

\$42,209 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$101,927)	(\$261,524)	(\$363,451)
2022	(71,698)	(261,525)	(333,223)
2023	(70,449)	(234,257)	(304,706)
2024	(70,653)	(224,690)	(295,343)
2025	(63,793)	(216,033)	(279,826)
Thereafter	(27,824)	1,723	(26,101)
Total	<u>(\$406,344)</u>	<u>(\$1,196,306)</u>	<u>(\$1,602,650)</u>

### ***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan



## Rolling Hills Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020*

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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, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 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

## Rolling Hills Local School District, Ohio

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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 SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$2,148,764	\$1,770,264	\$1,469,311
	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,418,340	\$1,770,264	\$2,237,181

### **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

## Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend

## Rolling Hills Local School District, Ohio

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rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$924,344)	(\$1,083,258)	(\$1,216,866)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,228,364)	(\$1,083,258)	(\$905,537)

### Note 14 - Employee Benefits

#### A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on a twelve month contract, earn ten to thirty days of vacation per year, depending upon length of service. Vacation can be accumulated to one year's worth of accrual plus ten days. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 265 days for classified employees and administrative personnel and 265 days for certified employees for the purpose of calculating severance. Upon retirement, all employees receive payment for one-fourth of their total sick leave accumulation.

#### B. *Insurance Benefits*

The School District provides life insurance and accidental death and dismemberment insurance to all full-time employees through Grady Benefits in the amount of \$50,000.

### Note 15 - Capitalized Leases

In fiscal year 2016, the School District entered into a lease agreement for school buses. The lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee.

The general capital assets acquired by this capital lease have been capitalized in the governmental activities on the Statement of Net Position in the amount of \$433,050. Accumulated depreciation as of June 30, 2020 was \$221,034, leaving a book balance of \$212,016. Actual principal payments during fiscal year 2020 totaled \$84,437 in the governmental funds, which retired the remaining balance.

### Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2020 were as follows:

## Rolling Hills Local School District, Ohio

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	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20	Amounts Due in One Year
<b>Governmental Activities:</b>					
2010 Energy Conservation Notes:					
Term Notes 2.0% - 4.15%	\$300,000	\$0	\$0	\$300,000	\$60,000
Capital Appreciation Notes 14.41%	12,945	0	12,945	0	0
Accretion of Interest	27,984	2,845	30,829	0	0
CAB Premium	12,923	0	2,585	10,338	0
Total Notes	<u>353,852</u>	<u>2,845</u>	<u>46,359</u>	<u>310,338</u>	<u>60,000</u>
Net Pension Liability:					
STRS	14,699,346	0	235,510	14,463,836	0
SERS	4,115,933	0	6,622	4,109,311	0
Total Net Pension Liability	<u>18,815,279</u>	<u>0</u>	<u>242,132</u>	<u>18,573,147</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,013,246	0	242,982	1,770,264	0
Capital Leases	<u>84,437</u>	<u>0</u>	<u>84,437</u>	<u>0</u>	<u>0</u>
Sick Leave Benefits Payable	<u>1,013,365</u>	<u>158,120</u>	<u>64,324</u>	<u>1,107,161</u>	<u>87,105</u>
Total Governmental Activities Long-Term Liabilities	<u>\$22,280,179</u>	<u>\$160,965</u>	<u>\$680,234</u>	<u>\$21,760,910</u>	<u>\$147,105</u>

Capital Leases are paid from the General Fund. Compensated Absences will be paid from the General Fund and the Food Service Special Revenue Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds: General Fund, Food Service, Title I, and Miscellaneous Federal Grant Special Revenue Funds. For additional information related to the net pension liability and net OPEB liability, see Notes 12 and 13.

**2010 Energy Conservation Notes** – On March 11, 2010, Rolling Hills Local School District issued \$707,824 of general obligation notes, pursuant to House Bill 264. The notes were issued to finance an energy conservation project. The notes were issued at 2.0 – 4.15 percent interest rate. The issuance of the notes included a \$38,772 premium that will be amortized over the life of the issue, with a final maturity at December 1, 2024. \$2,373 in issuance costs were previously expensed.

As part of the note issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of Aa3 from Moody's Investors Service for the note issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the Ohio Department of Education will make the sufficient payment.

The Current Interest Term Notes maturing on December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

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<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2021	\$60,000
2022	60,000
2023	60,000

The remaining principal amount of such Current Interest Term Notes (\$60,000) will be paid at stated maturity on December 1, 2024.

The Current Interest Notes maturing on or after December 1, 2020, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation notes for the 2010 issue mature December 1, 2018, through December 1, 2019. At maturity, all compounded interest is paid and the note holder receives the face value of the note. As the value of the note increases, the accretion is reflected as a liability. The maturity amount of the notes is \$100,000. Accretion during fiscal year 2019 amounted to \$2,845, and a payment was made in the amount of \$43,774. Payments on the notes are paid from the bond retirement fund (a nonmajor governmental fund).

Principal and Interest requirements to retire the remaining outstanding notes for the 2010 Energy Conservation Notes outstanding at June 30, 2020, are as follows:

<u>Fiscal Year</u>	<u>Term Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$60,000	\$11,205
2022	60,000	8,715
2023	60,000	11,205
2024	60,000	3,735
2025	60,000	1,245
Totals	<u>\$300,000</u>	<u>\$36,105</u>

The overall debt margin of the School District as of June 30, 2020, was \$28,207,661, with an unvoted debt margin of \$313,418.

### **Note 17 - Interfund Activity**

#### **A. Transfers**

During fiscal year 2020, the General Fund made transfers in the amount of \$288,230 to the Food Service, and Miscellaneous Local Grants in the amounts of \$45,894, and \$179,886, respectively, and to the Debt Service Fund in the amount of \$62,450. The transfers were used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### **B. Interfund Balances**

Interfund receivables and payables at June 30, 2020, consist of the following individual balances, representing \$140,561 due to the General Fund from Special Revenue Funds for cash deficits, and \$5,279

# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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due to the General Fund from Miscellaneous Local Funds for monies advanced to be repaid to the General Fund when grant funds are received.

	Interfund Receivable	Interfund Payable
General Fund	\$145,840	\$0
Nonmajor Special Revenue Funds:		
Miscellaneous Local Funds	0	5,279
Title I	0	58,407
Miscellaneous Federal Grants	0	82,154
Total All Funds	<u>\$145,840</u>	<u>\$145,840</u>

## Note 18 - Jointly Governed Organizations

### A. *Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments*

The Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA) was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a Board comprising a representative from each participating school district. The Board exercises total control over the operations of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2020, the total amount paid to OME-RESA from the School District was \$59,219 for technology services, financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd. Suite 2, Steubenville, Ohio 43952.

### B. *Mid-East Career and Technology Centers*

The Mid-East Career and Technology Centers (Center) is a jointly governed organization providing vocational services to its thirteen member school districts. The Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The Board exercises total control over the operations of Mid-East Career and Technology Centers including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The continued existence of the Center is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2020, the School District made no payments to the Center. To obtain financial information write to the Mid-East Career and Technology Centers, Nan Nolder, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

### C. *Metropolitan Educational Technology Association (META) Solutions*

The School District participates in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META is also known as META Solutions. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The School District uses the META purchasing

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

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cooperative. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2020, the School District's membership payment for the purchasing cooperative was waived by META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

### ***D. Coalition of Rural and Appalachian Schools***

*Coalition of Rural and Appalachian Schools (CORAS)* -The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designing management. Each participant's control is limited to its representation on the board. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$355 for fiscal year 2020. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Dr. Richard Murray, Executive Director, at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

### ***E. The Ohio Coalition of Equity and Adequacy of School Funding***

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2020, the School District paid \$768 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

## **Note 19 - Insurance Purchasing Pools**

### ***A. Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint



# Rolling Hills Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

## **B. Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)**

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

## **Note 20 - Set-Aside Calculations**

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

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2019	\$0
Current Year Set-Aside Requirement	291,189
Current Year Qualifying Expenditures	<u>(373,363)</u>
Totals	<u><u>(\$82,174)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying expenditures during the fiscal year that reduced the capital set-aside amount below zero. The excess set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

## **Note 21 - Contingencies**

### **A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other

## **Rolling Hills Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2020*

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applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

### ***B. School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (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 2021 has been finalized. As a result, the impact of FTE adjustments resulted in an immaterial receivable of the School District.

### ***C. Litigation***

At June 30, 2020, the School District had no pending litigation.

### **Note 22 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**Rolling Hills Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Seven Fiscal Years (1)\**

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.06868110%	0.07186660%	0.07280850%	0.06934300%
School District's Proportionate Share of the Net Pension Liability	\$4,109,311	\$4,115,933	\$4,350,147	\$5,075,268
School District's Covered Payroll	\$2,432,963	\$2,355,785	\$2,324,107	\$2,149,457
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.90%	174.72%	187.17%	236.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06980040%	0.07366000%	0.07366000%
\$3,982,878	\$3,727,891	\$4,380,324
\$2,123,126	\$2,220,260	\$2,125,463
187.59%	167.90%	206.09%
69.16%	71.70%	65.52%

**Rolling Hills Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Seven Fiscal Years (1)\**

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.06540461%	0.06685242%	0.06641981%	0.06677895%
School District's Proportionate Share of the Net Pension Liability	\$14,463,836	\$14,699,346	\$15,778,168	\$22,352,927
School District's Covered Payroll	\$7,691,036	\$7,632,271	\$7,363,636	\$7,051,464
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.06%	192.59%	214.27%	317.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.40%	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06743390%	0.06928232%	0.06928232%
\$18,636,758	\$16,851,858	\$20,073,824
\$7,035,600	\$7,026,008	\$7,535,677
264.89%	239.85%	266.38%
72.10%	74.70%	69.30%

**Rolling Hills Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District 's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Four Fiscal Years (1) \**

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.07039410%	0.07256850%	0.07369650%	0.07007270%
School District's Proportionate Share of the Net OPEB Liability	\$1,770,264	\$2,013,246	\$1,977,820	\$1,997,331
School District's Covered Payroll	\$2,432,963	\$2,355,785	\$2,324,107	\$2,149,457
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	72.76%	85.46%	85.10%	92.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information



**Rolling Hills Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability*  
*State Teachers Retirement System of Ohio*  
*Last Four Fiscal Years (1)\**

	2020	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.06540461%	0.06685242%	0.06641981%	0.06677895%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,083,258)	(\$1,074,250)	\$2,591,456	\$3,571,356
School District's Covered Payroll	\$7,691,036	\$7,632,271	\$7,363,636	\$7,051,464
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.08%	-14.08%	35.19%	50.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	174.70%	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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

	2020	2019	2018	2017	2016
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$342,907	\$328,450	\$318,031	\$325,375	\$300,924
Contributions in Relation to the Contractually Required Contribution	<u>(342,907)</u>	<u>(328,450)</u>	<u>(318,031)</u>	<u>(325,375)</u>	<u>(300,924)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,449,336	\$2,432,963	\$2,355,785	\$2,324,107	\$2,149,457
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>					
Contractually Required Contribution (2)	\$42,209	\$55,176	\$49,473	\$39,300	\$34,604
Contributions in Relation to the Contractually Required Contribution	<u>(42,209)</u>	<u>(55,176)</u>	<u>(49,473)</u>	<u>(39,300)</u>	<u>(34,604)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.72%</u>	<u>2.27%</u>	<u>2.10%</u>	<u>1.69%</u>	<u>1.61%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.72%</u>	<u>15.77%</u>	<u>15.60%</u>	<u>15.69%</u>	<u>15.61%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011
\$279,828	\$307,728	\$294,164	\$296,253	\$283,387
(279,828)	(307,728)	(294,164)	(296,253)	(283,387)
\$0	\$0	\$0	\$0	\$0
\$2,123,126	\$2,220,260	\$2,125,466	\$2,202,630	\$2,254,471
13.18%	13.86%	13.84%	13.45%	12.57%
\$53,721	\$39,786	\$39,360	\$48,678	\$69,663
(53,721)	(39,786)	(39,360)	(48,678)	(69,663)
\$0	\$0	\$0	\$0	\$0
2.53%	1.79%	1.85%	2.21%	3.09%
15.71%	15.65%	15.69%	15.66%	15.66%

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

	2020	2019	2018	2017	2016
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$1,080,012	\$1,076,745	\$1,068,518	\$1,030,909	\$987,205
Contributions in Relation to the Contractually Required Contribution	<u>(1,080,012)</u>	<u>(1,076,745)</u>	<u>(1,068,518)</u>	<u>(1,030,909)</u>	<u>(987,205)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$7,714,371	\$7,691,036	\$7,632,271	\$7,363,636	\$7,051,464
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Asset (Liability)</b>					
Contractually Required Contribution	\$0	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011
\$984,984	\$913,381	\$979,638	\$942,959	\$878,599
(984,984)	(913,381)	(979,638)	(942,959)	(878,599)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,035,600	\$7,026,008	\$7,535,677	\$7,253,531	\$6,758,454
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$70,260	\$75,357	\$72,535	\$67,585
0	(70,260)	(75,357)	(72,535)	(67,585)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

## Rolling Hills Local School District, Ohio

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020

### Net Pension Liability

#### Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

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

#### Changes in Assumptions - STRS

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

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

## Rolling Hills Local School District, Ohio

Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2020

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

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

### Net OPEB Liability

#### Changes in Assumptions - SERS

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

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### Changes in Assumptions - STRS

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

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

**Rolling Hills Local School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2020*

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**Changes in Benefit Terms - STRS OPEB**

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

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

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



**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Program):			
National School Lunch Program	10.555	2020	\$73,393
Cash Assistance:			
School Breakfast Program	10.553	2020	146,989
COVID-19 School Breakfast Program	10.553	2020	129,470
National School Lunch Program	10.555	2020	280,620
COVID-19 National School Lunch Program	10.555	2020	209,085
Cash Assistance Subtotal			<u>766,164</u>
Total Child Nutrition Cluster			<u>839,557</u>
Total U.S. Department of Agriculture			839,557
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010	2019	60,387
Title I Grants to Local Educational Agencies	84.010	2020	536,744
Total Title I Grants to Local Educational Agencies			<u>597,131</u>
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	2019	62,851
Special Education - 6B Restoration Grant (IDEA, Part B)	84.027A	2020	14,356
Special Education - Grants to States (IDEA, Part B)	84.027	2020	326,951
Total - Special Education - Grants to States (IDEA, Part B)			<u>404,158</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	2019	2,643
Special Education - Preschool Grants (IDEA Preschool)	84.173	2020	5,159
Total - Special Education - Grants to States (IDEA Preschool)			<u>7,802</u>
Total Special Education Cluster (IDEA)			411,960
Rural Education	84.358	2020	26,427
Supporting Effective Instruction State Grants:			
Supporting Effective Instruction State Grants	84.367	2019	6,361
Supporting Effective Instruction State Grants	84.367	2020	72,070
Total Supporting Effective Instruction State Grants			<u>78,431</u>
Student Support and Academic Enrichment - Title IV	84.424	2020	32,670
Twenty-First Century Community Learning Centers:			
Twenty-First Century Community Learning Centers	84.287	2019	26,298
Twenty-First Century Community Learning Centers	84.287	2020	162,242
Total Twenty-First Century Community Learning Centers			<u>188,540</u>
Total U.S. Department of Education			<u>1,335,159</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$2,174,716</u></u></b>

The accompanying notes are an integral part of this Schedule.

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**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Rolling Hills Local School District (the School District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2020 to 2021 programs:

ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020  
(Continued)

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS (Continued)

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 66,911
Special Education - Grants to States	84.027	30,995
Rural Education	84.358	934
Supporting Effective Instruction State Grants	84.367	12,112
Student Support and Academic Enrichment	84.424	15,140

# OHIO AUDITOR OF STATE KEITH FABER



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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*

Rolling Hills Local School District  
Guernsey County  
P.O. Box 38  
Byesville, Ohio 43723

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rolling Hills Local School District, Guernsey County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 23, 2021, wherein we noted the financial impact of COVID-19 and the continuing measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2021

# OHIO AUDITOR OF STATE KEITH FABER



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

Rolling Hills Local School District  
Guernsey County  
P.O. Box 38  
Byesville, Ohio 43723

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Rolling Hill Local School District's, Guernsey County, Ohio (the School District's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Rolling Hills Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in finding 2020-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Eligibility applicable to its CFDA #'s 10.553 and 10.555 Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

### ***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the Rolling Hills Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2020.

### ***Other Matters***

The School District's response to our noncompliance finding is described in the accompanying Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### ***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2020-001.

The School District's response to our internal control over compliance finding is described in the accompanying Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.



Rolling Hills Local School District  
Guernsey County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to the Major Federal Program and on Internal Control Over  
Compliance Required by the Uniform Guidance  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 23, 2021

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**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA (including COVID-19) #10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None.

**ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

**Eligibility**

<b>Finding Number:</b>	<b>2020-001</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 10.553 and 10.555 - Child Nutrition Cluster (includes COVID-19)</b>
<b>Federal Award Identification Number / Year:</b>	<b>2020</b>
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance Requirement:</b>	<b>Eligibility</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

7 CFR Part 245.6(c)(4) requires that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income for determination if the household was eligible for free or reduced price benefits. When a household submits an application containing complete documentation, as defined in 7 CFR Part 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in 7 CFR Part 245.2, the children in that household must be approved for free or reduced price benefits, as applicable. Errors in the eligibility determination were noted with 3 out of 60 individual students tested. Errors are described as follows:

- One household submitted an application documenting weekly income totaling \$900, with a household size of 4. The School District determined eligibility by incorrectly calculating the income of \$900 as received monthly instead of weekly. Therefore, the student's eligibility was incorrectly determined to be free rather than reduced based on the Income Eligibility Guidelines. This error would have led to the School District receiving less program income from providing meals as well as being over reimbursed for claimed meals relating to this student's actual benefit usage.
- One household submitted an application documenting two income sources. The first income source listed earnings from work before deductions of \$1,200, received every two weeks. The second income source listed earnings from work before deductions of \$900, however the frequency (i.e. weekly, every two weeks, twice monthly or monthly) was not noted. The School District calculated the student's eligibility as the \$900 income being received monthly without any support of the accuracy of this frequency. As the frequency was not verified, the School District did not have a basis to make the assumption, and we were unable to determine if the eligibility determination of reduced was accurate or not. If the actual frequency was different than utilized in the calculation, there is a possibility the student would not have been eligible for reduced benefits.
- One student selected was receiving free benefits, however there was no supporting documentation (i.e. application or direct certification) available to support this determination. Further inquiry with the School District noted this student attended a CEP eligible school (Brook Intermediate) in the previous school year. Per 7 CFR 245.6(c)(2), an individual student's eligibility from the previous school year carries over for up to 30 operating days into the new school year, or until new eligibility determination is made, whichever comes first. Therefore, this student's eligibility would have been appropriately free for the first 30 days of the school year, however should have been changed to denied when an application was not received and the student was not directly certified. Therefore, the student's eligibility was incorrectly determined to be free, and this error would have led to the School District receiving less program income from providing meals as well as being over reimbursed for claimed meals relating to this student's actual benefit usage.

ROLLING HILLS LOCAL SCHOOL DISTRICT  
GUERNSEY COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER: 2020-001 (Continued)**

**Noncompliance and Material Weakness (Continued)**

The School District should ensure eligibility calculations on submitted applications are properly performed, which could include a secondary review. Additionally, a review of all free/reduced students should be performed to ensure they have an approved application on file or are directly certified. This will help to ensure that the School District properly complies with Federal regulations, properly receives all program income due to the school and is not over reimbursed with federal funding for unallowable claimed free or reduced price meals.

**Officials' Response:** See Corrective Action Plan.

# Rolling Hills Local School District

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## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	The following is an action plan put into place for the 20-21 SY to follow each student's eligibility status from one school year to the next by keeping a report that includes current year benefit status, 30 day cut-off date for the next school year, date application is received and/or date status is changed due to eligibility or non-submission. For the remainder of 20-21 SY, the EMIS secretary at Meadowbrook High School will confirm eligibility after the application is initially processed.	1/26/2021	Angie Norman, Food Service Coordinator

# OHIO AUDITOR OF STATE KEITH FABER



**ROLLING HILLS LOCAL SCHOOL DISTRICT**

**GUERNSEY 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 3/11/2021**

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

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