



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2021**

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**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Rock Hill Local School District  
Lawrence County  
2325A County Road 26  
Ironton, Ohio 45638

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2021, 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, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in financial position 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 21 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities". We did not modify our opinion regarding this 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 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 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 May 2, 2022, 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  
May 2, 2022

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**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

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The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. 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 2021 are as follows:***

- Net position of governmental activities decreased \$688,269.
- General revenues accounted for \$22,054,672 in revenue, or 76 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$7,072,718 or 24 percent of total revenues of \$29,127,390.
- The School District had \$29,815,659 in expenses related to governmental activities; only \$7,072,718 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily taxes and intergovernmental) of \$22,054,672 were sufficient to cover the remaining expenses.
- Total governmental funds had \$30,261,702 in revenues and other financing sources and \$28,697,177 in expenditures and other financing uses. The total governmental fund balance increased \$1,564,525.

## **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 Rock Hill 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*

The analysis of the School District as a whole begins with the statement of net position and the statement of activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

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These two statements report the School District's net position and changes to that position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

In the statement of net position and the statement of activities, the School District has only one kind of activity.

- **Governmental Activities.** Most of the School District's programs and services are reported here 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 funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. 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 major governmental funds are the General Fund and the Permanent Improvements Capital Projects Fund.

***Governmental Funds*** All 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.

***Fiduciary Funds*** The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for its fiduciary fund.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
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**THE SCHOOL DISTRICT AS A WHOLE**

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 2021 compared to 2020.

Table 1  
Net Position

|   | 2021          | 2020 *        |
|---|---------------|---------------|
| Assets:   |               |               |
| Current and Other Assets                              | \$ 38,760,169 | \$ 37,683,891 |
| Capital Assets, Net                                   | 22,320,875    | 23,162,605    |
| Total Assets  | 61,081,044    | 60,846,496    |
| Deferred Outflows of Resources:                       |               |               |
| Pensions and OPEB                                     | 5,243,090     | 4,568,417     |
| Total Deferred Outflows of Resources                  | 5,243,090     | 4,568,417     |
| Liabilities:  |               |               |
| Current and Other Liabilities                         | 3,090,771     | 2,600,716     |
| Long-Term Liabilities:                                |               |               |
| Due Within One Year                                   | 320,145       | 315,151       |
| Due in More than One Year:                            |               |               |
| Net Pension Liabilities                               | 24,094,923    | 21,156,055    |
| Net OPEB Liabilities                                  | 2,023,226     | 2,196,608     |
| Other Amounts   | 2,058,392     | 2,268,981     |
| Total Liabilities                                     | 31,587,457    | 28,537,511    |
| Deferred Inflows of Resources:                        |               |               |
| Pensions and OPEB                                     | 2,954,530     | 3,106,351     |
| Property Taxes not Levied to Finance the Current Year | 8,103,911     | 9,444,261     |
| Total Deferred Inflows of Resources                   | 11,058,441    | 12,550,612    |
| Net Position:   |               |               |
| Net Investment in Capital Assets                      | 21,865,544    | 22,320,967    |
| Restricted  | 850,292       | 700,404       |
| Unrestricted (Deficit)                                | 962,400       | 1,305,419     |
| Total Net Position                                    | \$ 23,678,236 | \$ 24,326,790 |

\* - Although GASB 84 was implemented in 2021, the 2020 statement above was not restated.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability (Asset)*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, it will be reported in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole decreased \$688,269. The increase to current and other assets is primarily due to increases in cash with the School District at fiscal year-end due to higher revenues received than expenses paid, in addition to increases to net OPEB asset. The increases were partially offset by decreases in taxes receivable. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased due to changes in pension and OPEB actuarial calculations. Long-term liabilities increased primarily due to increases in net pension liabilities which were partially offset by decreases in OPEB liabilities. Current and other liabilities increased primarily due to increases in accounts payable and contracts payable. Deferred inflows of resources decreased primarily due to property taxes not levied to finance the current year and pension/OPEB changes in actuarial calculations.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021, and comparisons to fiscal year 2020.

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

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2021                    | 2020 *              |
| <b>Revenues</b>                         |                         |                     |
| Program Revenues:                       |                         |                     |
| Charges for Services                    | \$2,220,107             | \$2,356,616         |
| Operating Grants and Contributions      | 4,852,611               | 3,801,987           |
| Total Program Revenues                  | <u>7,072,718</u>        | <u>6,158,603</u>    |
| General Revenues:                       |                         |                     |
| Property Taxes                          | 9,144,361               | 10,587,609          |
| Grants and Entitlements not Restricted  | 12,146,681              | 11,766,121          |
| Gifts and Donations not Restricted      | 1,000                   | 1,000               |
| Investment Earnings                     | 22,552                  | 253,508             |
| Gain of Sale of Capital Assets          | 0                       | 12,603              |
| Miscellaneous                           | 740,078                 | 149,440             |
| Total General Revenues                  | <u>22,054,672</u>       | <u>22,770,281</u>   |
| Total Revenues                          | <u>29,127,390</u>       | <u>28,928,884</u>   |
| <b>Program Expenses</b>                 |                         |                     |
| Instruction:                            |                         |                     |
| Regular                                 | 11,606,860              | 10,909,701          |
| Special                                 | 4,029,296               | 4,265,491           |
| Vocational                              | 201,693                 | 217,534             |
| Other                                   | 1,647,860               | 1,863,273           |
| Support Services:                       |                         |                     |
| Pupils                                  | 1,202,792               | 913,546             |
| Instructional Staff                     | 695,402                 | 673,178             |
| Board of Education                      | 736,493                 | 609,826             |
| Administration                          | 1,741,189               | 1,752,936           |
| Fiscal                                  | 684,644                 | 672,804             |
| Operation and Maintenance of Plant      | 3,473,949               | 3,057,243           |
| Pupil Transportation                    | 2,033,079               | 1,401,892           |
| Central                                 | 39,315                  | 26,745              |
| Operation of Non-Instructional Services | 924,910                 | 925,374             |
| Extracurricular Activities              | 784,826                 | 723,183             |
| Interest and Fiscal Charges             | 13,351                  | 22,519              |
| Total Expenses                          | <u>29,815,659</u>       | <u>28,035,245</u>   |
| Change in Net Position                  | (688,269)               | 893,639             |
| Net Position at Beginning of Year       | <u>24,366,505</u>       | <u>23,433,151</u>   |
| Net Position at End of Year             | <u>\$23,678,236</u>     | <u>\$24,326,790</u> |

\* - Net position as of the beginning of fiscal year 2021 was restated due to GASB 84

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

**Governmental Activities**

Property taxes made up approximately 31 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 58 percent from state foundation, federal, and state grants, and 8 percent from charges for services. Grants and entitlements not restricted increased due to more foundation monies received by the School District. Property taxes decreased as a result of less public utility monies received during the current year. Charges for services decreased due to a decrease in tuition and fees received in the current year. Operating grants and contributions increased primarily due to monies received for Cares Act grants.

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 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 increases 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.

59 percent of the School District's expenses are used to fund instructional expenses. Support services make up 35 percent of expenses and 6 percent is used for extracurricular activities and non-instructional services. Overall expenses increased due primarily to pension and OPEB activity.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions, 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**

|   | 2021<br>Total Cost<br>of Services | 2021<br>Net Cost<br>of Services | 2020<br>Total Cost<br>of Services | 2020<br>Net Cost<br>of Services |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Program Expenses</b>                 |                                   |                                 |                                   |                                 |
| Instruction:                            |                                   |                                 |                                   |                                 |
| Regular                                 | \$11,606,860                      | \$9,589,615                     | \$10,909,701                      | \$8,996,004                     |
| Special                                 | 4,029,296                         | 2,468,543                       | 4,265,491                         | 2,654,871                       |
| Vocational                              | 201,693                           | 160,596                         | 217,534                           | 173,490                         |
| Other                                   | 1,647,860                         | 1,491,226                       | 1,863,273                         | 1,673,777                       |
| Support Services:                       |                                   |                                 |                                   |                                 |
| Pupils                                  | 1,202,792                         | 782,796                         | 913,546                           | 607,193                         |
| Instructional Staff                     | 695,402                           | 630,450                         | 673,178                           | 586,986                         |
| Board of Education                      | 736,493                           | 666,616                         | 609,826                           | 547,871                         |
| Administration                          | 1,741,189                         | 1,524,400                       | 1,752,936                         | 1,509,314                       |
| Fiscal                                  | 684,644                           | 619,024                         | 672,804                           | 600,050                         |
| Operation and Maintenance of Plant      | 3,473,949                         | 2,575,658                       | 3,057,243                         | 2,787,253                       |
| Pupil Transportation                    | 2,033,079                         | 1,462,735                       | 1,401,892                         | 1,274,081                       |
| Central                                 | 39,315                            | 30,180                          | 26,745                            | 11,044                          |
| Operation of Non-Instructional Services | 924,910                           | 173,994                         | 925,374                           | (33,318)                        |
| Extracurricular Activities              | 784,826                           | 555,096                         | 723,183                           | 467,870                         |
| Interest and Fiscal Charges             | 13,351                            | 12,012                          | 22,519                            | 20,156                          |
| <b>Totals</b>                           | <b>\$29,815,659</b>               | <b>\$22,742,941</b>             | <b>\$28,035,245</b>               | <b>\$21,876,642</b>             |

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

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**THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$30,261,702 and expenditures and other financing uses of \$28,697,177.

The fund balance of the General Fund increased \$1,645,393 primarily due to revenues exceeding expenditures and other financings uses. The General Fund had a year end fund balance of \$19,296,280.

The fund balance of the Permanent Improvements Capital Projects Fund decreased \$215,903 primarily due to expenditures and other financings uses exceeding revenues. The Permanent Improvement Fund ended the 2021 fiscal year with a fund balance of \$5,648,378.

***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 year 2021, the School District did make some amendments to its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$24,234,894, which was consistent with the original estimate. The final budget basis expenditure estimate of \$24,015,063 was consistent with the original budget estimate.

The School District's ending unobligated general fund balance was \$18,810,122.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2021, the School District had \$22,320,875 invested in land, constructions in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2021 balances compared to 2020.

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

|                                    | Governmental Activities |              |
|------------------------------------|-------------------------|--------------|
|                                    | 2021                    | 2020         |
| Land                               | \$817,657               | \$817,657    |
| Construction in Progress           | 390,518                 | 548,726      |
| Land Improvements                  | 2,721,472               | 2,989,723    |
| Buildings and Improvements         | 17,111,210              | 17,683,741   |
| Furniture, Fixtures, and Equipment | 432,964                 | 373,016      |
| Vehicles                           | 847,054                 | 749,742      |
| Totals                             | \$22,320,875            | \$23,162,605 |

For additional information on capital assets, see Note 9 to the basic financial statements.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2021*  
*Unaudited*

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***Debt***

At June 30, 2021, the School District had outstanding Energy Conservation Notes in the amount of \$135,000, and a Lease-Purchase Agreement in the amount of \$185,000.

For additional information on debt, see Note 15 to the basic financial statements.

**CURRENT ISSUES**

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely on local property taxes in which it does not foresee any sustainable growth in revenue after FY21. Thus, management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources. State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen decreases in student enrollment, and while State revenue growth has shifted toward school districts with low property tax wealth, the decreasing student enrollment has served to somewhat offset increases in Federal and State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher employee costs).

As the preceding information shows, the School District continues to depend on state and federal funding, and its taxpayers. Although Rock Hill Local School District has attempted to keep spending in line with revenues, and carefully watched financial planning, it must keep its revenue to expense ratios improving if the School District hopes to remain on firm financial footing.

**OTHER SIGNIFICANT INFORMATION**

As described in Note 22, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**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 or need additional information, contact Chris Robinson, Treasurer at Rock Hill Local School District, 2325A County Road 26, Ironton, Ohio 45638.



**Rock Hill Local School District, Ohio**  
*Statement of Net Position*  
*June 30, 2021*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| Current Assets:  |                            |
| Equity in Pooled Cash and Cash Equivalents                   | \$ 28,165,688              |
| Intergovernmental Receivable                                 | 517,568                    |
| Taxes Receivable   | 8,775,412                  |
| Noncurrent Assets:   |                            |
| Nondepreciable Capital Assets                                | 1,208,175                  |
| Depreciable Capital Assets, Net                              | 21,112,700                 |
| Net OPEB Asset   | 1,301,501                  |
| <i>Total Assets</i>  | 61,081,044                 |
| <b>Deferred Outflows of Resources</b>                        |                            |
| Pension  | 4,619,391                  |
| OPEB   | 623,699                    |
| <i>Total Deferred Outflows of Resources</i>                  | 5,243,090                  |
| <b>Liabilities</b>   |                            |
| Current Liabilities:   |                            |
| Accounts Payable   | 376,051                    |
| Accrued Wages and Benefits Payable                           | 1,921,425                  |
| Contracts Payable  | 390,518                    |
| Intergovernmental Payable                                    | 402,029                    |
| Accrued Interest Payable                                     | 748                        |
| Noncurrent Liabilities:                                      |                            |
| Due Within One Year  | 320,145                    |
| Due in More Than One Year                                    |                            |
| Net Pension Liability (See Note 12)                          | 24,094,923                 |
| Net OPEB Liability (See Note 13)                             | 2,023,226                  |
| Other Amounts Due in More Than One Year                      | 2,058,392                  |
| <i>Total Liabilities</i>                                     | 31,587,457                 |
| <b>Deferred Inflows of Resources</b>                         |                            |
| Pension  | 208,166                    |
| OPEB   | 2,746,364                  |
| Property Taxes not Levied to Finance Current Year Operations | 8,103,911                  |
| <i>Total Deferred Inflows of Resources</i>                   | 11,058,441                 |
| <b>Net Position</b>  |                            |
| Net Investment in Capital Assets                             | 21,865,544                 |
| Restricted for:  |                            |
| Debt Service   | 1,950                      |
| Other Purposes   | 848,342                    |
| Unrestricted   | 962,400                    |
| <i>Total Net Position</i>                                    | \$ 23,678,236              |

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2021

|   | Program Revenues    |                         |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---|---------------------|-------------------------|---------------------------------------|--|
|   | Expenses            | Charges for<br>Services | Operating Grants<br>and Contributions | Governmental<br>Activities                                 |
| <b>Governmental Activities</b>                              |                     |                         |                                       |  |
| Instruction:  |                     |                         |                                       |  |
| Regular   | \$11,606,860        | \$827,754               | \$1,189,491                           | (\$9,589,615)  |
| Special   | 4,029,296           | 279,431                 | 1,281,322                             | (2,468,543)  |
| Vocational  | 201,693             | 19,099                  | 21,998                                | (160,596)  |
| Other   | 1,647,860           | 156,634                 | 0                                     | (1,491,226)  |
| Support Services:   |                     |                         |                                       |  |
| Pupils  | 1,202,792           | 75,938                  | 344,058                               | (782,796)  |
| Instructional Staff   | 695,402             | 64,952                  | 0                                     | (630,450)  |
| Board of Education  | 736,493             | 69,877                  | 0                                     | (666,616)  |
| Administration  | 1,741,189           | 157,706                 | 59,083                                | (1,524,400)  |
| Fiscal  | 684,644             | 62,240                  | 3,380                                 | (619,024)  |
| Operation and Maintenance of Plant                          | 3,473,949           | 257,615                 | 640,676                               | (2,575,658)  |
| Pupil Transportation  | 2,033,079           | 131,005                 | 439,339                               | (1,462,735)  |
| Central   | 39,315              | 3,069                   | 6,066                                 | (30,180)   |
| Operation of Non-Instructional Services                     | 924,910             | 15,339                  | 735,577                               | (173,994)  |
| Extracurricular Activities                                  | 784,826             | 98,109                  | 131,621                               | (555,096)  |
| Interest and Fiscal Charges                                 | 13,351              | 1,339                   | 0                                     | (12,012)   |
| <i>Totals</i>   | <u>\$29,815,659</u> | <u>\$2,220,107</u>      | <u>\$4,852,611</u>                    | <u>(22,742,941)</u>  |
| <b>General Revenues</b>                                     |                     |                         |                                       |  |
| Property Taxes Levied for:                                  |                     |                         |                                       |  |
| General Purposes  |                     |                         |                                       | 8,959,868  |
| Other Purposes  |                     |                         |                                       | 184,493  |
| Grants and Entitlements not Restricted to Specific Programs |                     |                         |                                       | 12,146,681   |
| Gifts and Donations   |                     |                         |                                       | 1,000  |
| Investment Earnings   |                     |                         |                                       | 22,552   |
| Miscellaneous   |                     |                         |                                       | 740,078  |
| <i>Total General Revenues</i>                               |                     |                         |                                       | <u>22,054,672</u>  |
| <i>Change in Net Position</i>                               |                     |                         |                                       | (688,269)  |
| <i>Net Position at Beginning of Year - As Restated</i>      |                     |                         |                                       | <u>24,366,505</u>  |
| <i>Net Position at End of Year</i>                          |                     |                         |                                       | <u>\$23,678,236</u>  |

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2021*

|   | General             | Permanent<br>Improvements | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>   |                     |                           |                                |                                |
| Equity in Pooled Cash and Cash Equivalents                          | \$20,559,946        | \$5,997,128               | \$1,419,458                    | \$27,976,532                   |
| Restricted Assets:  |                     |                           |                                |                                |
| Equity in Pooled Cash and Cash Equivalents                          | 189,156             | 0                         | 0                              | 189,156                        |
| Receivables:  |                     |                           |                                |                                |
| Property Taxes  | 8,569,858           | 0                         | 205,554                        | 8,775,412                      |
| Intergovernmental   | 74,141              | 0                         | 443,427                        | 517,568                        |
| Interfund   | 213,460             | 0                         | 0                              | 213,460                        |
| Total Assets  | <u>\$29,606,561</u> | <u>\$5,997,128</u>        | <u>\$2,068,439</u>             | <u>\$37,672,128</u>            |
| <b>Liabilities</b>  |                     |                           |                                |                                |
| Accounts Payable  | \$79,932            | \$0                       | \$296,119                      | \$376,051                      |
| Accrued Wages and Benefits Payable                                  | 1,644,634           | 0                         | 276,791                        | 1,921,425                      |
| Contracts Payable   | 0                   | 348,750                   | 41,768                         | 390,518                        |
| Interfund Payable   | 0                   | 0                         | 213,460                        | 213,460                        |
| Intergovernmental Payable   | <u>349,435</u>      | <u>0</u>                  | <u>52,594</u>                  | <u>402,029</u>                 |
| Total Liabilities   | <u>2,074,001</u>    | <u>348,750</u>            | <u>880,732</u>                 | <u>3,303,483</u>               |
| <b>Deferred Inflows of Resources</b>                                |                     |                           |                                |                                |
| Property Taxes not Levied to Finance Current Year Operations        | 7,908,511           | 0                         | 195,400                        | 8,103,911                      |
| Unavailable Revenue - Delinquent Taxes                              | 327,769             | 0                         | 5,048                          | 332,817                        |
| Unavailable Revenue - Grants  | 0                   | 0                         | 443,427                        | 443,427                        |
| Total Deferred Inflows of Resources                                 | <u>8,236,280</u>    | <u>0</u>                  | <u>643,875</u>                 | <u>8,880,155</u>               |
| <b>Fund Balances</b>  |                     |                           |                                |                                |
| Nonspendable  | 44,377              | 0                         | 0                              | 44,377                         |
| Restricted  | 279,156             | 0                         | 1,266,766                      | 1,545,922                      |
| Assigned  | 2,944,132           | 5,648,378                 | 0                              | 8,592,510                      |
| Unassigned  | <u>16,028,615</u>   | <u>0</u>                  | <u>(722,934)</u>               | <u>15,305,681</u>              |
| Total Fund Balances   | <u>19,296,280</u>   | <u>5,648,378</u>          | <u>543,832</u>                 | <u>25,488,490</u>              |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances: | <u>\$29,606,561</u> | <u>\$5,997,128</u>        | <u>\$2,068,439</u>             | <u>\$37,672,128</u>            |

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2021*

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|   |              |
|---|--------------|
| <b>Total Governmental Fund Balances</b> | \$25,488,490 |
|---|--------------|

*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. | 22,320,875 |
|---|------------|

|  |         |
|--|---------|
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds: |         |
| Unavailable Revenue - Delinquent Taxes   | 332,817 |
| Unavailable Revenue - Grants   | 443,427 |
|  | 776,244 |

|   |              |
|---|--------------|
| The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in the funds. |              |
| Deferred outflows of resources related to pensions and OPEB   | 5,243,090    |
| Net OPEB Asset  | 1,301,501    |
| Deferred inflows of resources related to pensions and OPEB  | (2,954,530)  |
| Net Pension Liability   | (24,094,923) |
| Net OPEB Liability  | (2,023,226)  |
|   | (22,528,088) |

|  |             |
|--|-------------|
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: |             |
| Accrued Interest   | (748)       |
| General Obligation Notes   | (135,000)   |
| Lease-Purchase   | (185,000)   |
| Compensated Absences   | (2,058,537) |
|  | (2,379,285) |

|   |              |
|---|--------------|
| Net Position of Governmental Activities | \$23,678,236 |
|---|--------------|

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

|  | General             | Permanent<br>Improvements | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                     |                           |                                |                                |
| Property Taxes                                       | \$8,916,559         | \$0                       | \$183,849                      | \$9,100,408                    |
| Intergovernmental                                    | 12,642,255          | 0                         | 4,185,702                      | 16,827,957                     |
| Investment Earnings                                  | 22,552              | 0                         | 0                              | 22,552                         |
| Tuition and Fees                                     | 1,674,419           | 0                         | 0                              | 1,674,419                      |
| Charges for Services                                 | 459,002             | 0                         | 11,640                         | 470,642                        |
| Extracurricular                                      | 19,784              | 0                         | 55,262                         | 75,046                         |
| Donations  | 1,000               | 0                         | 0                              | 1,000                          |
| Miscellaneous  | 739,878             | 0                         | 200                            | 740,078                        |
| <i>Total Revenues</i>                                | <u>24,475,449</u>   | <u>0</u>                  | <u>4,436,653</u>               | <u>28,912,102</u>              |
| <b>Expenditures</b>                                  |                     |                           |                                |                                |
| Current:   |                     |                           |                                |                                |
| Instruction:   |                     |                           |                                |                                |
| Regular  | 8,007,616           | 0                         | 1,320,038                      | 9,327,654                      |
| Special  | 2,711,836           | 0                         | 619,589                        | 3,331,425                      |
| Vocational   | 183,169             | 0                         | 0                              | 183,169                        |
| Other  | 1,647,860           | 0                         | 0                              | 1,647,860                      |
| Support Services:                                    |                     |                           |                                |                                |
| Pupils   | 728,420             | 0                         | 395,995                        | 1,124,415                      |
| Instructional Staff                                  | 634,395             | 0                         | 0                              | 634,395                        |
| Board of Education                                   | 733,726             | 0                         | 0                              | 733,726                        |
| Administration                                       | 1,487,465           | 0                         | 64,585                         | 1,552,050                      |
| Fiscal   | 608,446             | 0                         | 3,913                          | 612,359                        |
| Operation and Maintenance of Plant                   | 2,547,985           | 0                         | 596,390                        | 3,144,375                      |
| Pupil Transportation                                 | 1,296,567           | 0                         | 432,894                        | 1,729,461                      |
| Central  | 32,292              | 0                         | 7,023                          | 39,315                         |
| Operation of Non-Instructional Services              | 0                   | 0                         | 856,819                        | 856,819                        |
| Extracurricular Activities                           | 420,770             | 0                         | 152,384                        | 573,154                        |
| Capital Outlay                                       | 110,822             | 1,165,903                 | 251,588                        | 1,528,313                      |
| Debt Service:  |                     |                           |                                |                                |
| Principal  | 315,000             | 0                         | 0                              | 315,000                        |
| Interest   | 14,087              | 0                         | 0                              | 14,087                         |
| <i>Total Expenditures</i>                            | <u>21,480,456</u>   | <u>1,165,903</u>          | <u>4,701,218</u>               | <u>27,347,577</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i>  | <u>2,994,993</u>    | <u>(1,165,903)</u>        | <u>(264,565)</u>               | <u>1,564,525</u>               |
| <b>Other Financing Sources (Uses)</b>                |                     |                           |                                |                                |
| Transfers In   | 0                   | 950,000                   | 399,600                        | 1,349,600                      |
| Transfers Out  | (1,349,600)         | 0                         | 0                              | (1,349,600)                    |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(1,349,600)</u>  | <u>950,000</u>            | <u>399,600</u>                 | <u>0</u>                       |
| <i>Net Change in Fund Balance</i>                    | 1,645,393           | (215,903)                 | 135,035                        | 1,564,525                      |
| <i>Fund Balances at Beginning of Year - Restated</i> | <u>17,650,887</u>   | <u>5,864,281</u>          | <u>408,797</u>                 | <u>23,923,965</u>              |
| <i>Fund Balances (Deficit) at End of Year</i>        | <u>\$19,296,280</u> | <u>\$5,648,378</u>        | <u>\$543,832</u>               | <u>\$25,488,490</u>            |

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2021*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,564,525

*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 useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period:

|                         |                    |           |
|-------------------------|--------------------|-----------|
| Capital Asset Additions | 1,528,313          |           |
| Depreciation Expense    | <u>(2,370,043)</u> | (841,730) |

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

|                |                |         |
|----------------|----------------|---------|
| Property Taxes | 43,953         |         |
| Grants         | <u>171,335</u> | 215,288 |

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,808,892

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities. (3,641,575)

Long-term debt principal payments are expenditures in the governmental funds, but the principal payment decreases the long-term liabilities on the statement of net position:

|                           |                |         |
|---------------------------|----------------|---------|
| Energy Conservation Notes | 135,000        |         |
| Capital Lease             | <u>180,000</u> | 315,000 |

Compensated absences and accrued interest reported in the statement of net position do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Decrease in Accrued Interest Payable | 736              |                  |
| Increase in Compensated Absences     | <u>(109,405)</u> | <u>(108,669)</u> |

*Change in Net Position of Governmental Activities* (\$688,269)

See accompanying notes to the basic financial statements

**Rock Hill 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, 2021*

|   | Budgeted Amounts |              | Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|--------------|--------------|---|
|   | Original         | Final        |              |   |
| <b>Revenues</b>                                     |                  |              |              |   |
| Property Taxes                                      | \$8,886,223      | \$8,881,485  | \$8,881,485  | \$0   |
| Intergovernmental                                   | 12,715,608       | 12,708,829   | 12,631,487   | (77,342)  |
| Investment Earnings                                 | 22,564           | 22,552       | 22,552       | 0   |
| Tuition and Fees                                    | 1,675,288        | 1,674,395    | 1,674,395    | 0   |
| Miscellaneous                                       | 935,211          | 934,712      | 934,712      | 0   |
| <i>Total Revenues</i>                               | 24,234,894       | 24,221,973   | 24,144,631   | (77,342)  |
| <b>Expenditures</b>                                 |                  |              |              |   |
| Current:  |                  |              |              |   |
| Instruction:  |                  |              |              |   |
| Regular   | 8,314,232        | 7,734,475    | 7,734,475    | 0   |
| Special   | 2,953,838        | 2,747,866    | 2,747,866    | 0   |
| Vocational  | 200,615          | 186,626      | 186,626      | 0   |
| Other   | 1,776,238        | 1,652,380    | 1,652,380    | 0   |
| Support Services:                                   |                  |              |              |   |
| Pupils  | 779,329          | 724,986      | 724,986      | 0   |
| Instructional Staff                                 | 671,238          | 624,432      | 624,432      | 0   |
| Board of Education                                  | 854,380          | 794,804      | 794,804      | 0   |
| Administration                                      | 1,655,471        | 1,540,034    | 1,540,034    | 0   |
| Fiscal  | 1,030,735        | 958,862      | 958,862      | 0   |
| Operation and Maintenance of Plant                  | 3,361,580        | 3,127,177    | 3,127,177    | 0   |
| Pupil Transportation                                | 1,570,526        | 1,461,012    | 1,461,012    | 0   |
| Central   | 33,697           | 31,347       | 31,347       | 0   |
| Extracurricular Activities                          | 459,413          | 427,378      | 427,378      | 0   |
| Debt Service:                                       |                  |              |              |   |
| Principal   | 348,681          | 324,367      | 324,367      | 0   |
| Interest  | 5,074            | 4,720        | 4,720        | 0   |
| <i>Total Expenditures</i>                           | 24,015,047       | 22,340,466   | 22,340,466   | 0   |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 219,847          | 1,881,507    | 1,804,165    | (77,342)  |
| <b>Other Financing Sources (Uses)</b>               |                  |              |              |   |
| Transfers In  | 0                | 593          | 593          | 0   |
| Transfers Out                                       | 0                | (1,461,138)  | (1,461,138)  | 0   |
| Advances In   | 0                | 12,328       | 12,328       | 0   |
| Advances Out  | 0                | (213,459)    | (213,459)    | 0   |
| <i>Total Other Financing Sources (Uses)</i>         | 0                | (1,661,676)  | (1,661,676)  | 0   |
| <i>Net Change in Fund Balance</i>                   | 219,847          | 219,831      | 142,489      | (77,342)  |
| <i>Fund Balance at Beginning of Year</i>            | 17,861,181       | 17,861,181   | 17,861,181   | 0   |
| Prior Year Encumbrances Appropriated                | 806,452          | 806,452      | 806,452      | 0   |
| <i>Fund Balance at End of Year</i>                  | \$18,887,480     | \$18,887,464 | \$18,810,122 | (\$77,342)  |

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Funds*  
*June 30, 2021*

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|  | <u>Custodial Funds</u> |
|--|------------------------|
| <b>Assets</b>                              |                        |
| Equity in Pooled Cash and Cash Equivalents | \$17,494               |
| Total Current Assets                       | <u>17,494</u>          |
| Total Assets                               | <u><u>\$17,494</u></u> |
| <b>Liabilities</b>                         |                        |
| Undistributed Monies                       | \$17,494               |
| Total Current Liabilities                  | <u>17,494</u>          |
| Total Liabilities                          | <u>17,494</u>          |

See accompanying notes to the basic financial statements



**Rock Hill Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*For the Fiscal Year Ended June 30, 2021*

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|  | <u>Custodial Funds</u> |
|--|------------------------|
| <b>Additions:</b>                                    |                        |
| Interest   | \$6,758                |
| Miscellaneous  | 36,324                 |
|  | <hr/>                  |
| <i>Total Revenues</i>                                | <u>43,082</u>          |
| <br>   |                        |
| <b>Deductions:</b>                                   |                        |
| Distributions to Others                              | 39,448                 |
|  | <hr/>                  |
| <i>Total Expenditures</i>                            | <u>39,448</u>          |
|  |                        |
| <i>Excess of Revenues Over (Under) Expenditures</i>  | <u>3,634</u>           |
| <br>   |                        |
| <i>Fund Balances at Beginning of Year - Restated</i> | <u>13,860</u>          |
|  |                        |
| <i>Fund Balances at End of Year</i>                  | <u><u>\$17,494</u></u> |

See accompanying notes to the basic financial statements

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**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the School District**

Rock Hill 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 four instructional/support facilities staffed by 87 classified employees and 132 certified teaching and administrative personnel who provide services to 1,350 students and other community members.

***Reporting Entity***

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Rock Hill Local School District, this includes general operations, food service, preschool, vocational, 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. The School District has no component units.

The School District participates in the Metropolitan Educational Technology Association (META) and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool, and the Lawrence County Schools Council of Governments Health Benefits Program, which is defined as a shared risk pool. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

***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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 fund. 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. 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds utilized by the School District: governmental 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 liabilities plus deferred inflow of resources is reported as fund balance. The following are the School District's major governmental funds:

***General Fund*** The General Fund accounts for and reports all financial resources except those 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.

***Permanent Improvement Capital Projects Fund*** The Permanent Improvement Capital Projects Fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's had two fiduciary funds which were custodial: the Ohio High School Athletic Association (OHSAA) Fund and the Employee Flex Plan Fund.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all liabilities and certain deferred inflows/outflows 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, current liabilities and certain 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.

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

In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from 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 fiduciary funds, are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, the recording of net pension liabilities and net OPEB liabilities (assets), and the presentation of expenses versus expenditures.

***Revenues – Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***Deferred Outflows and Deferred Inflows of Resources*** Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions and OPEB. The deferred outflows of resources related to the pension and OPEB are explained in Note 12 and Note 13, respectively. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions/OPEB. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and OPEB are reported on the Statement of Net Position.

***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".

During fiscal year 2021, the School District's investments was limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2021 amounted to \$22,552.

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 cash and cash equivalents.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. See Note 19 for additional information regarding set-asides.

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

| <u>Description</u>                 | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Land Improvements                  | 20 years               |
| Buildings and Improvements         | 20-50 years            |
| Furniture, Fixtures, and Equipment | 5-20 years             |
| Vehicles                           | 5-8 years              |

***H. 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. 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.

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 after ten years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

***J. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension liabilities 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.

***K. 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 or enabling legislation (School District resolutions).

**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.



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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.

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.

***L. Interfund Balances***

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

***M. 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.

***N. 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.

Net position restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specific purposes.

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

***O. Budgetary Process***

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

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.

***P. Pensions and Other Post-Employment Benefits***

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension 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.

***Q. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**NOTE 3 – ACCOUNTABILITY**

At June 30, 2021, the Food Service, Public Preschool, Miscellaneous State Grants, ESSER, Title VI-B (IDEA Part B), School Improvement, Title I, Title VI-R, and Miscellaneous Federal Grants had deficit fund balances of \$51,906, \$20,447, \$28,682, \$217,157, \$106,743, \$23,499, \$137,076, \$74,388, and \$63,036 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - 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 Statement 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).
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).

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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                 | \$1,645,393             |
| Revenue Accruals           | (317,897)               |
| Expenditure Accruals       | 9,603                   |
| Encumbrances               | (1,194,610)             |
| Budget Basis               | <u><u>\$142,489</u></u> |

**NOTE 5 – FUND BALANCES**

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

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

| Fund Balances                    | General<br>Fund            | Permanent<br>Improvements<br>Fund | Other<br>Governmental<br>Funds | Total                      |
|----------------------------------|----------------------------|-----------------------------------|--------------------------------|----------------------------|
| Nonspendable:                    |                            |                                   |                                |                            |
| Unclaimed Monies                 | 44,377                     | 0                                 | 0                              | 44,377                     |
| <i>Total Nonspendable</i>        | <u>44,377</u>              | <u>0</u>                          | <u>0</u>                       | <u>44,377</u>              |
| Restricted for:                  |                            |                                   |                                |                            |
| Bus Purchases                    | 36,469                     | 0                                 | 0                              | 36,469                     |
| Classroom Facilities Maintenance | 0                          | 0                                 | 493,304                        | 493,304                    |
| Other Purposes                   | 242,687                    | 0                                 | 771,512                        | 1,014,199                  |
| Capital Improvements             | 0                          | 0                                 | 0                              | 0                          |
| Debt Service                     | 0                          | 0                                 | 1,950                          | 1,950                      |
| <i>Total Restricted</i>          | <u>279,156</u>             | <u>0</u>                          | <u>1,266,766</u>               | <u>1,545,922</u>           |
| Assigned to:                     |                            |                                   |                                |                            |
| Other Purposes                   | 2,944,132                  | 5,648,378                         | 0                              | 8,592,510                  |
| <i>Total Assigned</i>            | <u>2,944,132</u>           | <u>5,648,378</u>                  | <u>0</u>                       | <u>8,592,510</u>           |
| Unassigned (Deficit):            | 16,028,615                 | 0                                 | (722,934)                      | 15,305,681                 |
| <i>Total Fund Balances</i>       | <u><u>\$19,296,280</u></u> | <u><u>\$5,648,378</u></u>         | <u><u>\$543,832</u></u>        | <u><u>\$25,488,490</u></u> |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**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.

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 bonds and other obligations of political subdivisions of the State of Ohio;
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);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

**Deposits** Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The School District's financial institution was enrolled in the Ohio Pooled Collateral System (OPCS) during fiscal year 2021.

**Investments** The School District's investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

| Measurement/Investment                       | Measurement<br>Amount | Maturity  |
|--|-----------------------|-----------|
| Net Asset Value (NAV) Per Share:<br>STAROhio | \$ 12,428,585         | 54.4 days |

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District invested solely in StarOhio, which was valued at Net Asset Value.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the School District does not have an investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAROhio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does have an investment policy which allows investments as outlined in the sections of Chapter 135 of the Ohio Revised Code, at a price not exceeding their fair market value. The School District has invested 100 percent in STAROhio.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

**NOTE 7 - 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, 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 year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected in 2021 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 Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 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, 2021, 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 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.

The amount available as an advance at June 30, 2021, was \$333,578 in the General Fund and \$5,106 in the Classroom Facilities Maintenance Special Revenue 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 is recorded as deferred inflows of resources.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 7 - PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2021 taxes were collected are:

|   | <u>2020 Second-<br/>Half Collections</u> |                | <u>2021 First-<br/>Half Collections</u> |                |
|---|--|----------------|---|----------------|
|   | <u>Amount</u>                            | <u>Percent</u> | <u>Amount</u>                           | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$ 120,624,580                           | 24.98%         | \$ 121,484,290                          | 28.81%         |
| Public Utility                                    | 362,325,000                              | 75.02%         | 300,143,630                             | 71.19%         |
| Total Assessed Value                              | <u>\$ 482,949,580</u>                    | <u>100.00%</u> | <u>\$ 421,627,920</u>                   | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 23.00                                 |                | \$ 23.00                                |                |

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2021, consisted of property taxes, interfund, and intergovernmental receivables arising from grants and entitlements. 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.

A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u>         | <u>Amounts</u>   |
|--|------------------|
| Major Fund:                            |                  |
| General Fund                           | \$74,141         |
| Nonmajor Special Revenue Funds:        |                  |
| Early Childhood Education              | 32,270           |
| High Schools that Work                 | 2,876            |
| School Bus Purchase Program            | 29,233           |
| ESSER                                  | 70,392           |
| ESSER II                               | 161,787          |
| Special Education                      | 19,935           |
| Title I - SSI                          | 23,499           |
| Title I - A                            | 29,368           |
| Title I - D                            | 2,149            |
| Expanding Opportunities for Each Child | 3,635            |
| Title II-A                             | 5,242            |
| Title IV-A                             | 63,041           |
| Total Nonmajor Special Revenue Funds   | <u>443,427</u>   |
| Total Governmental Activities          | <u>\$517,568</u> |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

|  | Balance at<br>6/30/20 | Additions             | Deductions           | Balance at<br>6/30/21 |
|--|-----------------------|-----------------------|----------------------|-----------------------|
| <b>Capital Assets:</b>                             |                       |                       |                      |                       |
| <b>Capital Assets not being Depreciated:</b>       |                       |                       |                      |                       |
| Land   | \$817,657             | \$0                   | \$0                  | \$817,657             |
| Construction in Progress                           | 548,726               | 1,116,793             | (1,275,001)          | 390,518               |
| <b>Total Capital Assets not being Depreciated</b>  | <b>1,366,383</b>      | <b>1,116,793</b>      | <b>(1,275,001)</b>   | <b>1,208,175</b>      |
| <b>Depreciable Capital Assets:</b>                 |                       |                       |                      |                       |
| Land Improvements                                  | 13,547,373            | 426,154               | 0                    | 13,973,527            |
| Buildings and Improvements                         | 42,642,883            | 852,707               | 0                    | 43,495,590            |
| Furniture, Fixtures, and Equipment                 | 1,684,066             | 140,897               | 0                    | 1,824,963             |
| Vehicles   | 2,020,878             | 266,763               | (87,991)             | 2,199,650             |
| <b>Total Depreciable Capital Assets</b>            | <b>59,895,200</b>     | <b>1,686,521</b>      | <b>(87,991)</b>      | <b>61,493,730</b>     |
| <b>Less Accumulated Depreciation:</b>              |                       |                       |                      |                       |
| Land Improvements                                  | (10,557,650)          | (694,405)             | 0                    | (11,252,055)          |
| Buildings and Improvements                         | (24,959,142)          | (1,425,238)           | 0                    | (26,384,380)          |
| Furniture, Fixtures, and Equipment                 | (1,311,050)           | (80,949)              | 0                    | (1,391,999)           |
| Vehicles   | (1,271,136)           | (169,451)             | 87,991               | (1,352,596)           |
| <b>Total Accumulated Depreciation</b>              | <b>(38,098,978)</b>   | <b>(2,370,043) **</b> | <b>87,991</b>        | <b>(40,381,030)</b>   |
| <b>Total Capital Assets being Depreciated, Net</b> | <b>21,796,222</b>     | <b>(683,522)</b>      | <b>0</b>             | <b>21,112,700</b>     |
| <b>Capital Assets, Net</b>                         | <b>\$23,162,605</b>   | <b>\$433,271</b>      | <b>(\$1,275,001)</b> | <b>\$22,320,875</b>   |

The School District's total capital assets being depreciated amount above included \$2,874,027 in fully depreciated capital assets.

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

|   |                    |
|---|--------------------|
| <b>Instruction:</b>                     |                    |
| Regular                                 | \$1,563,050        |
| Special                                 | 361,038            |
| Vocational                              | 758                |
| <b>Support Services:</b>                |                    |
| Instructional Staff                     | 315                |
| Board of Education                      | 637                |
| Administration                          | 1,100              |
| Operation and Maintenance of Plant      | 77,610             |
| Pupil Transportation                    | 177,151            |
| Operation of Non-Instructional Services | 10,532             |
| Extracurricular Activities              | 177,852            |
| <b>Total Depreciation Expense</b>       | <b>\$2,370,043</b> |



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 10 – INTERFUND ACTIVITY**

***A. Transfers***

For the fiscal year ended June 30, 2021, transfers in and out that resulted from various interfund transactions were as follows:

|                                       | Transfer<br>To     | Transfer<br>From   |
|---------------------------------------|--------------------|--------------------|
| <b>General Fund</b>                   | \$0                | \$1,349,600        |
| <b>Permanent Improvement Fund</b>     | 950,000            | 0                  |
| <b>Other Governmental Funds:</b>      |                    |                    |
| Food Service                          | 300,000            | 0                  |
| Athletics                             | 99,600             | 0                  |
|                                       | 399,600            | 0                  |
| <b>Total Other Governmental Funds</b> | <u>399,600</u>     | <u>0</u>           |
| <b>Total All Funds</b>                | <u>\$1,349,600</u> | <u>\$1,349,600</u> |

The General Fund transferred monies to the Permanent Improvement, Food Service, Athletics funds to subsidize these funds.

***B. Interfund Balances***

Interfund balances at June 30, 2021, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

|                                       | Interfund<br>Receivables | Interfund<br>Payables |
|---------------------------------------|--------------------------|-----------------------|
| <b>General Fund</b>                   | \$213,460                | \$0                   |
| <b>Other Governmental Fund:</b>       |                          |                       |
| Voc Ed Enhancements                   | 0                        | 893                   |
| Miscellaneous State Grants            | 0                        | 36,469                |
| ESSER                                 | 0                        | 55,369                |
| Title VI-B                            | 0                        | 36,109                |
| Title I - SSI                         | 0                        | 3,775                 |
| Title I                               | 0                        | 9,430                 |
| Title II-A                            | 0                        | 51,135                |
| Miscellaneous Federal Grants          | 0                        | 20,280                |
| <b>Total Other Governmental Funds</b> | <u>0</u>                 | <u>213,460</u>        |
| <b>Total All Funds</b>                | <u>\$213,460</u>         | <u>\$213,460</u>      |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**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 2021, the School District contracted with The Argonaut Insurance Group for the following coverage:

| Property                                 | Deductible | Limits of Coverage |
|--|------------|--------------------|
| Building and Contents - Replacement Cost | \$2,500    | \$60,871,235       |
| General Liability:                       |            |                    |
| Each Occurrence                          | 0          | 1,000,000          |
| Aggregate Limit                          | 0          | 3,000,000          |
| Employers' Liability:                    |            |                    |
| Each Occurrence                          | 2,500      | 1,000,000          |
| Aggregate Limit                          | 2,500      | 3,000,000          |
| Automobile:                              |            |                    |
| Combined Single Limit                    | 0          | 1,000,000          |
| Underinsured Motorist                    | 0          | 100,000            |
| Excess Liability:                        |            |                    |
| Each Occurrence                          | 0          | 5,000,000          |
| Aggregate Limit                          | 0          | 5,000,000          |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from fiscal year 2020.

***B. Workers' Compensation***

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension 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 and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and 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 and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and 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.

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) 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 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

Age and service requirements for retirement are as follows:

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

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

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

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. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

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, 2021, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2021.

The School District’s contractually required contribution to SERS was \$408,301 for fiscal year 2021. Of this amount \$34,441 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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 years 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 Aug. 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. Investment allocation decisions are determined by the member. 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 goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$1,339,944 for fiscal year 2021. Of this amount \$221,321 is reported as an intergovernmental payable.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability reported as of June 30, 2021 was measured as of June 30, 2020, 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|   | <u>SERS</u>       | <u>STRS</u>        | <u>Total</u> |
|---|-------------------|--------------------|--------------|
| Proportionate Share of the Net Pension Liability - Current Year       | 0.0933815%        | 0.07405417%        |              |
| Proportionate Share of the Net Pension Liability - Prior Year         | <u>0.0868711%</u> | <u>0.07216296%</u> |              |
| Change in Proportionate Share Proportion of the Net Pension Liability | <u>0.0065104%</u> | <u>0.00189121%</u> |              |
| Pension Expense (Gain)  | \$6,176,449       | \$17,918,474       | \$24,094,923 |
|   | \$914,017         | \$2,508,751        | \$3,422,768  |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Outflows of Resources</b>   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>        |
|---|---------------------|---------------------|---------------------|
| Differences between expected and actual economic experience   | \$ 11,992           | \$ 40,205           | \$ 52,197           |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 259,446             | 334,171             | 593,617             |
| Changes of assumptions  | 0                   | 961,876             | 961,876             |
| Differences between projected and actual investment earnings  | 392,079             | 871,377             | 1,263,456           |
| School District contributions subsequent to the measurement date  | <u>408,301</u>      | <u>1,339,944</u>    | <u>1,748,245</u>    |
| Total   | <u>\$ 1,071,818</u> | <u>\$ 3,547,573</u> | <u>\$ 4,619,391</u> |
| <br>  |                     |                     |                     |
| <b>Deferred Inflows of Resources</b>  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>        |
| Differences between expected and actual economic experience   | \$ -                | \$ 114,577          | \$ 114,577          |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | -                   | 93,589              | 93,589              |
| Total   | <u>\$ -</u>         | <u>\$ 208,166</u>   | <u>\$ 208,166</u>   |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

\$1,748,245 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS      | STRS        | Total       |
|-----------------------------|-----------|-------------|-------------|
| 2022                        | \$185,842 | \$603,973   | \$789,815   |
| 2023                        | 191,493   | 367,946     | 559,439     |
| 2024                        | 163,427   | 558,589     | 722,016     |
| 2025                        | 122,755   | 468,955     | 591,710     |
| Total                       | \$663,517 | \$1,999,463 | \$2,662,980 |

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

|  |  |
|--|--|
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent                                |
| COLA or Ad Hoc COLA                          | 2.50 percent   |
| Inflation                                    | 3.00 percent   |
| Investment Rate of Return                    | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal (Level Percent of Payroll)                  |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – SERS (Continued)**

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% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. 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<br>Allocation | Long Term Expected<br>Real Rate of Return |
|----------------------|----------------------|---|
| Cash                 | 2.00 %               | 1.85 %                                    |
| US Stocks            | 22.50                | 5.75                                      |
| Non-US Stocks        | 22.50                | 6.50                                      |
| Fixed Income         | 19.00                | 2.85                                      |
| Private Equity       | 12.00                | 7.60                                      |
| Real Estate          | 17.00                | 6.60                                      |
| Multi-Asset Strategy | 5.00                 | 6.65                                      |
| Total                | 100.00 %             |   |

**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 the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

|   | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$8,460,981            | \$6,176,449                         | \$4,259,683            |

**Assumptions and Benefit Changes Since the Prior Measurement Date** – There were no changes in assumptions or benefits since the prior measurement date.



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.50 percent                             |
| Projected salary increases        | 12.50% at age 20 to 2.50% at age 65      |
| Payroll Increases                 | 3.0%                                     |
| Investment Rate of Return         | 7.45 percent, net of investment expenses |
| Discount Rate of Return           | 7.45%                                    |
| Cost-of-Living Adjustments (COLA) | 0%                                       |

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

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's 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:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Rate of Return **</u> |
|----------------------|------------------------------|---|
| 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 %  |
| <br>Total            | <br><u>100.00 %</u>          |   |

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. 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 the rates described previously. 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 Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**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<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$25,512,788           | \$17,918,474                        | \$11,482,926           |

**Assumptions and Benefit Changes Since the Prior Measurement Date** - There were no changes in assumptions or benefit terms since the prior measurement date.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2021, none of the members of the Board of Education had elected Social Security. The Board’s liability is 6.2 percent of wages paid.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 13 – DEFINED BENEFIT OPEB PLANS**

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

**School Employees Retirement System**

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 2021, no allocation of covered payroll 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$60,647.

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 \$60,647 for fiscal year 2021. Of this amount, \$60,647 is reported as an intergovernmental payable.

**State Teachers Retirement System**

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**State Teachers Retirement System (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)**

The net OPEB (asset) liability was measured as of June 30, 2020, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB (asset) liability 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:

|   | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u>  |
|---|--------------------|--------------------|---------------|
| Proportion of the Net OPEB Liability (Asset)  |                    |                    |               |
| Current Measurement Date                      | 0.09309350%        | 0.07405417%        |               |
| Proportion of the Net OPEB Liability (Asset)  |                    |                    |               |
| Prior Measurement Date                        | <u>0.08734760%</u> | <u>0.07216296%</u> |               |
| Change in Proportionate Share                 | <u>0.00574590%</u> | <u>0.00189121%</u> |               |
| Proportionate Share of the Net OPEB Liability | \$2,023,226        | \$0                | \$2,023,226   |
| Proportionate Share of the Net OPEB (Asset)   | \$0                | (\$1,301,501)      | (\$1,301,501) |
| OPEB Expense (Gain)                           | \$18,192           | (\$83,316)         | (\$65,124)    |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)**

| <b>Deferred Outflows of Resources</b>   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>        |
|---|---------------------|---------------------|---------------------|
| Differences between expected and actual economic experience   | \$ 26,573           | \$ 83,394           | \$ 109,967          |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 932                 | 17,369              | 18,301              |
| Changes of assumptions  | 344,889             | 21,485              | 366,374             |
| Differences between projected and actual investment earnings  | 22,798              | 45,612              | 68,410              |
| School District contributions subsequent to the measurement date  | <u>60,647</u>       | <u>-</u>            | <u>60,647</u>       |
| <b>Total</b>  | <u>\$ 455,839</u>   | <u>\$ 167,860</u>   | <u>\$ 623,699</u>   |
| <br>  |                     |                     |                     |
| <b>Deferred Inflows of Resources</b>  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>        |
| Differences between expected and actual economic experience   | \$1,028,952         | \$259,240           | \$1,288,192         |
| Differences between projected and actual investment earnings  | -                   | -                   | -                   |
| Changes of assumptions  | 50,960              | 1,236,207           | 1,287,167           |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>139,775</u>      | <u>31,230</u>       | <u>171,005</u>      |
| <b>Total</b>  | <u>\$ 1,219,687</u> | <u>\$ 1,526,677</u> | <u>\$ 2,746,364</u> |

\$60,647 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                             | <u>SERS</u>        | <u>STRS</u>          | <u>Total</u>         |
|-----------------------------|--------------------|----------------------|----------------------|
| Fiscal Year Ending June 30: |                    |                      |                      |
| 2022                        | (\$209,124)        | (\$342,215)          | (\$551,339)          |
| 2023                        | (161,533)          | (311,342)            | (472,875)            |
| 2024                        | (161,801)          | (300,505)            | (462,306)            |
| 2025                        | (168,588)          | (283,450)            | (452,038)            |
| 2026                        | (134,579)          | (59,303)             | (193,882)            |
| Thereafter                  | <u>11,130</u>      | <u>(62,002)</u>      | <u>(50,872)</u>      |
| <b>Total</b>                | <u>(\$824,495)</u> | <u>(\$1,358,817)</u> | <u>(\$2,183,312)</u> |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

|  |   |
|--|---|
| Valuation Date   | June 30, 2020   |
| Actuarial Assumptions Experience Study Date  | 5 year period ended June 30, 2015                             |
| Investment Rate of Return  | 7.50 percent, net of investment expenses, including inflation |
| Price Inflation  | 3.00%   |
| Salary increases, including price inflation  | 3.50% - 18.20%  |
| Municipal Bond Index Rate  |   |
| Prior Measurement Date   | 3.13%   |
| Measurement Date   | 2.45%   |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation |   |
| Prior Measurement Date   | 3.22%   |
| Measurement Date   | 2.63%   |
| Medical Trend Assumption   |   |
| Pre-Medicare   | 7.00% - 4.75%   |
| Medicare   | 5.25% - 4.75%   |

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

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%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – SERS (continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 2.00 %                       | 1.85 %  |
| US Stocks              | 22.50                        | 5.75  |
| Non-US Stocks          | 22.50                        | 6.50  |
| Fixed Income           | 19.00                        | 2.85  |
| Private Equity         | 12.00                        | 7.60  |
| Real Assets            | 17.00                        | 6.60  |
| Multi-Asset Strategies | 5.00                         | 6.65  |
| <br>Total              | <br><u>100.00 %</u>          |   |

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability at June 30, 2019 was 3.22%. 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 2.0% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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 2.45%, as of June 30, 2020 (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 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%).

|   | 1% Decrease<br>█ (1.63%) | Current<br>Discount Rate<br>█ (2.63%) | 1% Increase<br>█ (3.63%) |
|---|--------------------------|---------------------------------------|--------------------------|
| School District's proportionate share of the net OPEB liability | \$2,476,379              | \$2,023,226                           | \$1,662,971              |

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower and higher than the current rate.

|   | 1% Decrease in<br><u>Trend Rates</u> | Current Trend<br><u>Rate</u> | 1% Increase in<br><u>Trend Rates</u> |
|---|--------------------------------------|------------------------------|--------------------------------------|
| School District's proportionate share of the net OPEB liability | \$1,593,137                          | \$2,023,226                  | \$2,598,366                          |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – SERS (continued)**

**Assumptions and Benefit Changes Since the Prior Measurement Date** - The following changes in key methods and assumptions as presented below:

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

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

|                            |   |          |
|----------------------------|---|----------|
| Projected Salary increases | 12.50% at age 20 to 2.50% at age 65                           |          |
| Payroll increases          | 3.00%   |          |
| Investment Rate of Return  | 7.45 percent, net of investment expenses, including inflation |          |
| Discount Rate of Return    | 7.45%   |          |
| Health Care Cost Trends    | Initial   | Ultimate |
| Medical                    |   |          |
| Pre-Medicare               | 5.00%   | 4.00%    |
| Medicare                   | -6.69%  | 4.00%    |
| Prescription Drug          |   |          |
| Pre-Medicare               | 6.50%   | 4.00%    |
| Medicare                   | 11.87%  | 4.00%    |

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

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

**Experience Studies** — Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Investment Return Assumptions** — STRS Ohio’s 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:



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – STRS (continued)**

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Rate of Return **</u> |
|----------------------|------------------------------|---|
| 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                | <u>100.00 %</u>              |   |

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care fund investments of 7.45% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2020.

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

|   | <u>1% Decrease<br/>(6.45%)</u>        | <u>Current<br/>Discount Rate<br/>(7.45%)</u> | <u>1% Increase<br/>(8.45%)</u>        |
|---|---------------------------------------|--|---------------------------------------|
| School District's proportionate share of the net OPEB liability (asset) | (\$1,132,390)                         | (\$1,301,501)                                | (\$1,444,985)                         |
|   | <u>1% Decrease<br/>in Trend Rates</u> | <u>Current<br/>Trend Rate</u>                | <u>1% Increase<br/>in Trend Rates</u> |
| School District's proportionate share of the net OPEB liability (asset) | (\$1,436,078)                         | (\$1,301,501)                                | (\$1,137,565)                         |

**Assumption Changes Since the Prior Measurement Date** – There were no changes in assumptions since the prior measurement date of June 30, 2019.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – STRS (continued)**

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were updated to reflect the projected FYE 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**NOTE 14 – EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service, and can accumulate up to a maximum of three years accrual. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Certified employees can accumulate sick leave to a maximum of 350 days, classified employees can accumulate sick leave to a maximum of 320 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 85 days for certified employees and 90 days for classified employees.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

|                                     | Principal<br>Outstanding<br>6/30/20 | Additions          | Deductions         | Principal<br>Outstanding<br>6/30/21 | Amount<br>Due in<br>One Year |
|-------------------------------------|-------------------------------------|--------------------|--------------------|-------------------------------------|------------------------------|
| <b>Governmental Activities:</b>     |                                     |                    |                    |                                     |                              |
| HB 264 Energy Conservation - 2.95%: |                                     |                    |                    |                                     |                              |
| General Obligations Notes           | \$270,000                           | \$0                | \$135,000          | \$135,000                           | \$135,000                    |
| Lease - Purchase Agreement          | 365,000                             | 0                  | 180,000            | 185,000                             | 185,000                      |
| Net Pension Liability:              |                                     |                    |                    |                                     |                              |
| STRS                                | 15,958,405                          | 1,960,069          | 0                  | 17,918,474                          | 0                            |
| SERS                                | 5,197,650                           | 978,799            | 0                  | 6,176,449                           | 0                            |
| Net OPEB Liability:                 |                                     |                    |                    |                                     |                              |
| STRS                                | 0                                   | 0                  | 0 *                | 0                                   | 0                            |
| SERS                                | 2,196,608                           | 0                  | 173,382            | 2,023,226                           | 0                            |
| Compensated Absences                | 1,949,132                           | 1,782,554          | 1,673,149          | 2,058,537                           | 145                          |
| Total Governmental Activities       | <u>\$25,936,795</u>                 | <u>\$4,721,422</u> | <u>\$2,161,531</u> | <u>\$28,496,686</u>                 | <u>\$320,145</u>             |

\* OPEB for STRS has a Net OPEB asset in the amount of \$1,301,501 as of June 30, 2021.

**House Bill 264 Energy Conservation Obligations** On June 28, 2012, the School District issued \$1,225,000 in General Obligation Notes and entered into a \$1,670,000 Lease-Purchase Agreement for the purpose of improving and reducing energy consumption in each of the School District’s instructional facilities. These obligations were issued through general obligation notes and a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

In accordance with the lease terms, the project assets are leased to Capital One Public Funding, and then subleased back to the School District. The lease-purchase agreement was issued through a series of annual leases with an initial lease term of ten years which includes the right to renew for ten successive one-year terms through December 1, 2021, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.95 percent. The lease and note payments are being made from the General Fund. For the leased assets related to the governmental funds, capital assets acquired by lease have been capitalized in the government-wide financial statements in an amount of \$1,670,000.

Annual debt service requirements to retire the House Bill 264 Energy Conservation Notes outstanding at June 30, 2021, are as follows:

| Fiscal Year<br>Ending June 30, | Principal | Interest | Total<br>Payment |
|--------------------------------|-----------|----------|------------------|
| 2022                           | 135,000   | 1,991    | 136,991          |
| Total                          | \$135,000 | \$1,991  | \$136,991        |

Future minimum lease payments are as follows:

| Fiscal Year Ending June 30,             |            |
|---|------------|
| 2022                                    | 187,729    |
| Total Minimum Lease Payments            | 187,729    |
| Less: Amounts Representing Interest     | (2,729)    |
| Present Value of Minimum Lease Payments | \$ 185,000 |

The compensated absences payable will be paid from the fund from which the employees' salaries are paid, which includes the General Fund, and the Food Service, Public School Preschool, Title VI-B, Title I, and the Improving Teacher Quality Special Revenue Funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

There are no repayment schedules for the net pension and OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund and the Food Service, Public School Preschool, Title I, IDEA-B, and Title II-A Special Revenue Funds. For additional information related to net pension and net OPEB liabilities, see Notes 12 and 13.

The School District's overall legal debt margin was \$37,813,463, with an unvoted debt margin of \$421,628 at June 30, 2021.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

***A. Metropolitan Educational Technology Association***

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$166,456 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

***B. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 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 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 paid \$0 to the Coalition for services provided during the year. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**NOTE 17 – INSURANCE PURCHASING/SHARED RISK POOLS**

***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

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.

***B. Lawrence County Schools Council of Governments Health Benefits Program***

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 18 - 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 applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

***B. Litigation***

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

***C. 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, ODE adjustments for fiscal year 2021 were finalized and determined to not be significant, therefore the adjustments were not recorded in the accompanying financial statements.

**NOTE 19 – 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 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 years.

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.

|   | Capital<br>Improvements |
|---|-------------------------|
| Set-Aside Balance as of<br>as of June 30, 2020              | \$0                     |
| Current Year Set-Aside Requirement                          | 250,406                 |
| Current Year Offsets  | (188,860)               |
| Qualifying Expenditures                                     | (61,546)                |
| Totals  | \$0                     |
| Set-Aside Balance Carried Forward<br>to Future Fiscal Years | \$0                     |
| Set-Aside Balance as of June 30, 2021                       | \$0                     |

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 20 – COMMITMENTS**

***Encumbrances***

At June 30, 2021, the School District had significant encumbrance commitments in the following governmental funds:

| Fund                             | Amount      |
|----------------------------------|-------------|
| Major Funds:                     |             |
| General                          | \$1,272,633 |
| Permanent Improvement            | 2,356,879   |
| Non-Major Funds:                 |             |
| Classroom Facilities Maintenance | 209,085     |
| Student Wellness                 | 730,187     |
| ESSER                            | 603,394     |
| Total Non-Major Funds            | 1,542,666   |
| Total Encumbrances               | \$5,172,178 |

***Contracts***

As of June 30, 2021, the School District had the following contractual purchase commitments:

| Contractor                        | Contract<br>Amount | Amount<br>Paid | Balance at<br>6/30/2021 |
|-----------------------------------|--------------------|----------------|-------------------------|
| Collier Construction - Elementary | \$118,949          | \$66,768       | \$52,181                |

**NOTE 21 – NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2021, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The District reviewed its agency funds and the Student Managed Activity Fund was reclassified to Governmental, and there was still a Custodial Fund noted. These fund reclassifications resulted in the restatement of the District’s financial statements.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

|                                      |   |
|--------------------------------------|---|
| Net Position, June 30, 2020          | Governmental<br><u>Activities</u><br>\$24,326,790 |
| Adjustments:                         |   |
| GASB 84                              | <u>39,715</u>                                     |
| Restated Net Position, June 30, 2020 | <u>\$24,366,505</u>                               |

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 21 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION/FUND BALANCES**

continued

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:  
 Due

|  | General<br>Fund | Permanent<br>Improvement | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|--------------------------|------------------------------------|--------------------------------|
| Fund Balances, June 30, 2020             | \$ 17,650,887   | \$ 5,864,281             | \$ 369,082                         | \$ 23,884,250                  |
| Adjustments:                             |                 |                          |                                    |                                |
| GASB 84                                  | -               | -                        | 39,715                             | \$ 39,715                      |
| Restated Fund Balances,<br>June 30, 2020 | \$ 17,650,887   | \$ 5,864,281             | \$ 408,797                         | \$ 23,923,965                  |

|   | Custodial<br>Funds |
|---|--------------------|
| Fund Balance, June 30, 2020             | \$ 53,575          |
| Adjustments:                            |                    |
| GASB 84                                 | (39,715)           |
| Restated Fund Balance,<br>June 30, 2020 | \$ 13,860          |

**NOTE 22 – OTHER MATTERS OF POTENTIAL SIGNIFICANCE**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The School District’s investments of the pension and other employee benefit plans in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

**NOTE 23 – SUBSEQUENT EVENT**

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, and scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective educating school. For fiscal year 2021, the School District reported \$199,049 in expenditures related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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**Rock Hill 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 Eight Years (1)*

|   | <u>2021</u>           | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total plan pension liability  | \$ 21,033,809,319     | \$ 20,527,251,448     | \$ 19,997,700,966     | \$ 19,588,417,687     | \$ 19,770,708,121     | \$ 18,503,280,961     | \$ 17,881,827,171     | \$ 17,247,161,078     |
| Plan net position   | <u>14,419,598,627</u> | <u>14,544,076,104</u> | <u>14,270,515,748</u> | <u>13,613,638,590</u> | <u>12,451,630,823</u> | <u>12,797,184,030</u> | <u>12,820,884,107</u> | <u>11,300,482,029</u> |
| Net pension liability   | 6,614,210,692         | 5,983,175,344         | 5,727,185,218         | 5,974,779,097         | 7,319,077,298         | 5,706,096,931         | 5,060,943,064         | 5,946,679,049         |
| School District's proportion of the net pension liability   | 0.0933815%            | 0.0868711%            | 0.0806409%            | 0.0863550%            | 0.0845477%            | 0.0783962%            | 0.0778900%            | 0.0778900%            |
| School District's proportionate share of the net pension liability  | \$ 6,176,449          | \$ 5,197,650          | \$ 4,618,454          | \$ 5,159,520          | \$ 6,188,112          | \$ 4,473,363          | \$ 3,941,969          | \$ 4,631,868          |
| School District's covered payroll   | \$ 2,833,079          | \$ 2,876,859          | \$ 2,728,511          | \$ 2,579,650          | \$ 2,778,686          | \$ 2,360,061          | \$ 2,263,326          | \$ 2,138,143          |
| School District's proportionate share of the net pension liability as a percentage of its covered payroll | 218.01%               | 180.67%               | 169.27%               | 200.01%               | 222.70%               | 189.54%               | 174.17%               | 216.63%               |
| Plan fiduciary net position as a percentage of the total pension liability                                | 68.55%                | 70.85%                | 71.36%                | 69.50%                | 62.98%                | 69.16%                | 71.70%                | 65.52%                |

(1) Information prior to 2014 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Rock Hill 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 Eight Years (1)*

|  | <u>2021</u>           | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total plan pension liability   | \$ 98,672,288,072     | \$ 97,840,944,397     | \$ 96,904,056,552     | \$ 96,126,440,462     | \$ 100,756,422,489    | \$ 99,014,653,744     | \$ 96,167,057,104     | \$ 94,366,693,720     |
| Plan net position  | <u>74,475,846,279</u> | <u>75,726,545,352</u> | <u>74,916,301,830</u> | <u>72,371,226,119</u> | <u>67,283,408,184</u> | <u>71,377,578,736</u> | <u>71,843,596,331</u> | <u>65,392,746,348</u> |
| Net pension liability  | 24,196,441,793        | 22,114,399,045        | 21,987,754,722        | 23,755,214,343        | 33,473,014,305        | 27,637,075,008        | 24,323,460,773        | 28,973,947,372        |
| School District's proportion of the net pension liability  | 0.07405417%           | 0.07216296%           | 0.07225159%           | 0.07163167%           | 0.07293134%           | 0.07058663%           | 0.06960531%           | 0.06960531%           |
| School District's proportionate share of the net pension liability   | \$ 17,918,474         | \$ 15,958,405         | \$ 15,886,502         | \$ 17,016,257         | \$ 24,412,318         | \$ 19,508,080         | \$ 16,930,420         | \$ 20,167,406         |
| School District's covered-employee payroll   | \$ 8,792,400          | \$ 8,472,214          | \$ 8,293,200          | \$ 8,052,686          | \$ 7,636,457          | \$ 7,364,536          | \$ 7,111,962          | \$ 7,412,615          |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 203.80%               | 188.36%               | 191.56%               | 211.31%               | 319.68%               | 264.89%               | 238.06%               | 272.07%               |
| Plan fiduciary net position as a percentage of the total pension liability   | 75.48%                | 77.40%                | 77.31%                | 75.29%                | 66.78%                | 72.09%                | 74.71%                | 69.30%                |

(1) Information prior to 2014 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

|  | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 408,301       | \$ 396,631       | \$ 388,376       | \$ 368,349       | \$ 361,151       | \$ 389,016       | \$ 311,056       | \$ 313,697       | \$ 295,919       | \$ 274,766       |
| Contributions in relation to the contractually required contribution | <u>(408,301)</u> | <u>(396,631)</u> | <u>(388,376)</u> | <u>(368,349)</u> | <u>(361,151)</u> | <u>(389,016)</u> | <u>(311,056)</u> | <u>(313,697)</u> | <u>(295,919)</u> | <u>(274,766)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| School District's covered payroll                                    | \$ 2,916,436     | \$ 2,833,079     | \$ 2,876,859     | \$ 2,728,511     | \$ 2,579,650     | \$ 2,778,686     | \$ 2,360,061     | \$ 2,263,326     | \$ 2,138,143     | \$ 2,042,870     |
| Contributions as a percentage of covered payroll                     | 14.00%           | 14.00%           | 13.50%           | 13.50%           | 14.00%           | 14.00%           | 13.18%           | 13.86%           | 13.84%           | 13.45%           |

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Pension Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

|  | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 1,339,944       | \$ 1,230,936       | \$ 1,186,110       | \$ 1,161,048       | \$ 1,127,376       | \$ 1,069,104       | \$ 1,031,035       | \$ 924,555       | \$ 963,640       | \$ 945,175       |
| Contributions in relation to the contractually required contribution | <u>(1,339,944)</u> | <u>(1,230,936)</u> | <u>(1,186,110)</u> | <u>(1,161,048)</u> | <u>(1,127,376)</u> | <u>(1,069,104)</u> | <u>(1,031,035)</u> | <u>(924,555)</u> | <u>(963,640)</u> | <u>(945,175)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| School District covered payroll                                      | \$ 9,571,029       | \$ 8,792,400       | \$ 8,472,214       | \$ 8,293,200       | \$ 8,052,686       | \$ 7,636,457       | \$ 7,364,536       | \$ 7,111,962     | \$ 7,412,615     | \$ 7,270,577     |
| Contributions as a percentage of covered payroll                     | 14.00%             | 14.00%             | 14.00%             | 14.00%             | 14.00%             | 14.00%             | 14.00%             | 13.00%           | 13.00%           | 13.00%           |

See notes to accompanying required supplementary information.

**Rock Hill 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 Five Years (1)*

|  | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total plan OPEB liability  | \$ 2,655,938,750   | \$ 2,978,600,373   | \$ 3,209,899,769   | \$ 3,065,846,821   | \$ 3,220,574,434   |
| Plan net position  | <u>482,611,478</u> | <u>463,810,679</u> | <u>435,629,637</u> | <u>382,109,560</u> | <u>370,204,515</u> |
| Net OPEB liability   | 2,173,327,272      | 2,514,789,694      | 2,774,270,132      | 2,683,737,261      | 2,850,369,919      |
| School District's proportion of the net OPEB liability   | 0.0930935%         | 0.08734760%        | 0.08757275%        | 0.08749330%        | 0.08569280%        |
| School District's proportionate share of the net OPEB liability  | \$ 2,023,226       | \$ 2,196,608       | \$ 2,429,505       | \$ 2,348,090       | \$ 2,442,562       |
| School District's covered payroll  | \$ 2,833,079       | \$ 2,876,859       | \$ 2,728,511       | \$ 2,579,650       | \$ 2,778,686       |
| School District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 71.41%             | 76.35%             | 89.04%             | 91.02%             | 87.90%             |
| Plan fiduciary net position as a percentage of the total OPEB liability                                | 18.17%             | 15.57%             | 13.57%             | 12.46%             | 11.49%             |

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*State Teachers Retirement System of Ohio*  
*Last Five Years (1)*

|  | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total plan OPEB liability  | \$ 2,139,796,858     | \$ 2,215,918,000     | \$ 2,114,451,000     | \$ 7,377,410,000     | \$ 8,533,654,000     |
| Plan net position  | <u>3,897,296,153</u> | <u>3,872,158,000</u> | <u>3,721,349,000</u> | <u>3,475,779,000</u> | <u>3,185,628,000</u> |
| Net OPEB liability (asset)   | (1,757,499,295)      | (1,656,240,000)      | (1,606,898,000)      | 3,901,631,000        | 5,348,026,000        |
| School District's proportion of the net OPEB liability (asset)   | 0.07405417%          | 0.07216296%          | 0.07225159%          | 0.07163167%          | 0.07293134%          |
| School District's proportionate share of the net OPEB liability (asset)  | \$ (1,301,501)       | \$ (1,195,192)       | \$ (1,161,009)       | \$ 2,794,803         | \$ 3,900,387         |
| School District's covered payroll  | \$ 8,792,400         | \$ 8,472,214         | \$ 8,293,200         | \$ 8,052,686         | \$ 7,636,457         |
| School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -14.80%              | -14.11%              | -14.00%              | 34.71%               | 51.08%               |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 182.13%              | 174.74%              | 176.00%              | 47.11%               | 37.33%               |

(1) Information prior to 2017 is not available.  
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*School Employees Retirement System of Ohio*  
*Last Six Years (1)*

|  | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     | <u>2016</u>     |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 60,647       | \$ 41,793       | \$ 60,416       | \$ 60,425       | \$ 47,052       | \$ 43,417       |
| Contributions in relation to the contractually required contribution | <u>(60,647)</u> | <u>(41,793)</u> | <u>(60,416)</u> | <u>(60,425)</u> | <u>(47,052)</u> | <u>(43,417)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| School District's covered payroll                                    | \$ 2,916,436    | \$ 2,833,079    | \$ 2,876,859    | \$ 2,728,511    | \$ 2,579,650    | \$ 2,778,686    |
| Contributions as a percentage of covered payroll                     | 2.08%           | 1.48%           | 2.10%           | 2.21%           | 1.82%           | 1.56%           |

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of School District OPEB Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Six Years (1)*

|  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the contractually required contribution | -            | -            | -            | -            | -            | -            |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| School District covered payroll                                      | \$ 9,571,029 | \$ 8,792,400 | \$ 8,472,214 | \$ 8,293,200 | \$ 8,052,686 | \$ 7,636,457 |
| Contributions as a percentage of covered payroll                     | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.



## **Pension**

### **School Employees Retirement System (SERS)**

#### Changes in benefit terms

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

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

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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

#### Changes in assumptions

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

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

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

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

### **State Teachers Retirement System (STRS)**

#### Changes in benefit terms

2019-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

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

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

#### Changes in assumptions

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

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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**Pension (continued)**

**State Teachers Retirement System (STRS) (continued)**

Changes in assumptions (continued)

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

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

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

**OPEB**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2017-2021: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

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

- (1) In fiscal year 2021, the discount rate was changed from 3.22% to 2.63%
- (2) Municipal Bond Index Rate:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.13% |
| Measurement Date       | 2.45% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.22% |
| Measurement Date       | 2.63% |

2020: The discount rate was changed from 3.70% to 3.22%

- (1) Municipal Bond Index Rate:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.62% |
| Measurement Date       | 3.13% |
- (2) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

|                        |       |
|------------------------|-------|
| Prior Measurement Date | 3.70% |
| Measurement Date       | 3.22% |

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

- (1) The discount rate was changed from 3.63% to 3.70%

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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**OPEB (Continued)**

**School Employees Retirement System (SERS) (Continued)**

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

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

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

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

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

**State Teachers Retirement System (STRS)**

Changes in benefit terms

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

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

**OPEB (Continued)**

**State Teachers Retirement System (STRS) (Continued)**

Changes in benefit terms (continued)

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

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 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 1, 2019.

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

Changes in assumptions

2020-2021: There were no changes in assumptions since the prior measurement date of June 30, 2018.

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

2018: The discount rate was increased from 3.26 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.

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

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program / Cluster Title</b> | <b>Federal<br/>AL<br/>Number</b> | <b>Pass Through<br/>Grant<br/>Year</b> | <b>Provided<br/>Through to<br/>Subrecipients</b> | <b>Total Federal<br/>Expenditures</b> |
|---|----------------------------------|--|--|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                       |                                  |  |  |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                  |  |  |                                       |
| Child Nutrition Cluster:  |                                  |  |  |                                       |
| Non-Cash Assistance (Food Distribution):                                    |                                  |  |  |                                       |
| National School Lunch Program   | 10.555                           | 2020-2021                              | \$ 0   | \$ 19,910                             |
| Cash Assistance:  |                                  |  |  |                                       |
| National School Lunch Program   | 10.555                           | 2020-2021                              | 0  | 229,944                               |
| COVID-19 National School Lunch Program                                      |                                  | 2020-2021                              | 0  | 47,627                                |
| Total National School Lunch Program   |                                  |  | 0  | 297,481                               |
| School Breakfast Program  | 10.553                           | 2020-2021                              | 0  | 127,672                               |
| COVID-19 School Breakfast Program   |                                  | 2020-2021                              | 0  | 26,460                                |
| Total School Breakfast Program  |                                  |  | 0  | 154,132                               |
| Total Child Nutrition Cluster   |                                  |  | 0  | 451,613                               |
| Total U.S. Department of Agriculture  |                                  |  | 0  | 451,613                               |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                  |  |  |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                  |  |  |                                       |
| Title I-A Improving Basic Programs  | 84.010                           | 2020                                   | 0  | 144,166                               |
|   |                                  | 2021                                   | 0  | 839,561                               |
| Expanding Opportunities for Each Child                                      |                                  | 2021                                   | 0  | 18,908                                |
| Title I-D Delinquent  |                                  | 2021                                   | 0  | 37,953                                |
| Title I-A School improvement  |                                  | 2020                                   | 0  | 6,600                                 |
|   |                                  | 2021                                   | 0  | 11,041                                |
| Total Title I Grants to Local Educational Agencies                          |                                  |  | 0  | 1,058,229                             |
| Special Education Cluster:  |                                  |  |  |                                       |
| Special Education Grants to States  | 84.027                           | 2020                                   | 0  | 52,423                                |
|   |                                  | 2021                                   | 0  | 359,423                               |
| Total Special Education Grants to States                                    |                                  |  | 0  | 411,846                               |
| Special Education Preschool Grants  | 84.173                           | 2020                                   | 0  | 900                                   |
|   |                                  | 2021                                   | 0  | 2,997                                 |
| Total Special Education Preschool Grants                                    |                                  |  | 0  | 3,897                                 |
| Total Special Education Cluster   |                                  |  |  | 415,743                               |
| Rural Education   | 84.358                           | 2020                                   | 0  | 582                                   |
|   |                                  | 2021                                   | 0  | 30,459                                |
| Total Rural Education   |                                  |  | 0  | 31,041                                |
| Supporting Effective Instruction State Grants                               | 84.367                           | 2020                                   | 0  | 21,148                                |
|   |                                  | 2021                                   | 0  | 101,530                               |
| Total Supporting Effective Instruction State Grants                         |                                  |  | 0  | 122,678                               |
| Student Support and Academic Enrichment Program                             | 84.424                           | 2021                                   | 0  | 20,280                                |
| COVID-19 Education Stabilization Fund                                       | 84.425D                          | 2021                                   | 0  | 750,186                               |
|   |                                  | 2022                                   | 0  | 180,545                               |
| Total Education Stabilization Fund  |                                  |  | 0  | 930,731                               |
| Total U.S. Department of Education  |                                  |  | 0  | 2,578,702                             |
| <b>U.S. DEPARTMENT OF TREASURY</b>  |                                  |  |  |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                  |  |  |                                       |
| COVID-19 Coronavirus Relief Fund  | 21.019                           | 2021                                   | 0  | 114,527                               |
| COVID-19 Coronavirus Relief Fund (Broadband Connectivity)                   |                                  | 2021                                   | 0  | 9,000                                 |
| Total Coronavirus Relief Fund   |                                  |  | 0  | 123,527                               |
| Total U.S. Department of Treasury   |                                  |  | 0  | 123,527                               |
| <b>Total Expenditures of Federal Awards</b>                                 |                                  |  | <b>\$ -</b>                                      | <b>\$ 3,153,842</b>                   |

The accompanying notes are an integral part of this schedule.

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Rock Hill Local School District (the School District's) under programs of the federal government for the year ended June 30, 2021. 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 reported 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.



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

Rock Hill Local School District  
Lawrence County  
2325A County Road 26  
Ironton, Ohio 45638

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, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 2021, 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 May 2, 2022, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2021-001 to be a material weakness.

***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  
May 2, 2022





**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**

Rock Hill Local School District  
Lawrence County  
2325A County Road 26  
Ironton, Ohio 45638

To the Board of Education:

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

We have audited Rock Hill Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Rock Hill Local School District's major federal program for the year ended June 30, 2021. 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 COVID-19 Education Stabilization Fund***

As described in finding 2021-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding equipment applicable to its COVID-19 Education Stabilization Fund 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 COVID-19 Education Stabilization Fund**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on COVID-19 Education Stabilization Fund paragraph, Rock Hill Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its COVID-19 Education Stabilization Fund for the year ended June 30, 2021.

**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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 2021-002.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings and 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.

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
May 2, 2022

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

**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>      | Yes  |
| <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>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | COVID-19 Education Stabilization Fund – Federal AL- #84.425D |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>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**

**FINDING NUMBER 2021-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2021-001  
(Continued)**

As of June 30, 2021, the School District had misposted \$77,342 of Intergovernmental Revenues related to Half Mill Equalization Payments to the General Fund instead of properly posting it to the Classroom Facilities Maintenance Fund (034 Fund). This resulted in a reclassification to the financial statements. Adjustment has been posted to the School District's accounting system.

To ensure the School District's financial statements and notes to the financial statements are complete and accurate, the School District should adopt policies and procedures, including a final review of the statements and footnotes by the School District Treasurer to identify and correct errors and omissions.

**Officials' Response:**

The School District will review the relevant school funding requirements and fund reservations on a yearly basis. The District will also review the posted receipts on a monthly basis to ensure that all funds are receipted into the proper funds.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Material Weakness/Noncompliance**

**Finding Number: 2021-002**

**Assistance Listing Number and Title: AL #84.425D COVID-19 – Education Stabilization Fund**

**Federal Award Identification Number / Year: 2021**

**Federal Agency: US Department of Education**

**Compliance Requirement: Equipment**

**Pass-Through Entity: Ohio Department of Education**

**Repeat Finding from Prior Audit? No**

**2 CFR § 3474.1** gives regulatory effect to the Department of Education for **2 CFR § 200.313(b) through (d)** which require that:

- (c) Equipment must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency.
- (d) Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:
  - 1. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
  - 2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years.
  - 3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

**FINDING NUMBER 2021-002  
(Continued)**

4. Adequate maintenance procedures must be developed to keep the property in good condition.
5. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Consistent with 2 CFR section 200.311 (real property), section 200.313 (equipment), and section 200.439 (equipment and other capital expenditures), ESF funds may be used for these purposes. Recipients and subrecipients may use ESF funds to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by ED or the pass-through entity. In addition, with prior approval by the ED or the pass-through entity, recipients and subrecipients may use ESF funds to purchase real property and perform construction for improvements to land, buildings, or equipment that meet the overall purpose of the ESF program, which is “to prevent, prepare for, and respond to” the COVID-19 pandemic.

The School District failed to properly track assets purchased or improvements completed with ESF (specifically Elementary and Secondary Education Relief or ESSER) funds in their Equipment Inventory System. This resulted in assets in the amount of \$363,038 being input into the system that were purchased with federal funds but were indicated as purchased with General Fund monies in the system. It also resulted in unrecorded assets of approximately \$320,138 purchased with ESSER Funds not recorded at all in the inventory system. This would not allow for proper tracking as required above. The misposting of inventory in the system to General fund was mainly due to the fact that assets were first purchased with General fund monies but then reimbursed by ESSER funds. The unrecorded assets were a result of the School District Treasurer not adding all assets to the system.

The School District Treasurer must review the Equipment Inventory System and adjust it to include all assets purchased with ESSER Funds. In addition, the assets that are miscoded in the system should be corrected as well to ensure that all assets purchased with federal funds are indicated as such.

**Officials’ Response:**

The School District has a third party prepare the GAAP statements and enter the capital assets in the EIS system. The District will now meet with the third party administrator and review the capitalization of assets to ensure the asset is capitalized to the correct fund.

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# Rock Hill Local School District

• Board Of Education •

## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2021

**Finding Number:** 2021-001  
**Planned Corrective Action:** The School District will review the relevant school funding requirements and fund reservations on a yearly basis. The District will also review the posted receipts on a monthly basis to ensure that all funds are receipted into the proper funds.  
**Anticipated Completion Date:** April 30, 2022  
**Responsible Contact Person:** Thomas C. Robinson, Treasurer

**Finding Number:** 2021-002  
**Planned Corrective Action:** The School District has a third party prepare the GAAP statements and enter the capital assets in the EIS system. The District will now meet with the third party administrator and review the capitalization of assets to ensure the asset is capitalized to the correct fund.  
**Anticipated Completion Date:** April 30, 2022  
**Responsible Contact Person:** Thomas C. Robinson, Treasurer





# OHIO AUDITOR OF STATE KEITH FABER



**ROCK HILL LOCAL SCHOOL DISTRICT**

**LAWRENCE 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 5/17/2022**

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)