



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY  
JUNE 30, 2021**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	25
Statement of Fund Net Position	
Proprietary Fund.....	26
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund.....	27
Statement of Cash Flows	
Proprietary Fund.....	28
Notes to the Basic Financial Statements.....	29

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY  
JUNE 30, 2021**

**TABLE OF CONTENTS  
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio .....	68
State Teachers Retirement System (STRS) of Ohio.....	70
Schedule of the District's Pension Contributions	
School Employees Retirement System (SERS) of Ohio.....	72
State Teachers Retirement System (STRS) of Ohio.....	74
Schedule of the District's Proportionate Share of the Net OPEB Liability/Asset	
School Employees Retirement System (SERS) of Ohio .....	76
State Teachers Retirement System (STRS) of Ohio.....	77
Schedule of the District's OPEB Contributions	
School Employees Retirement System (SERS) of Ohio.....	78
State Teachers Retirement System (STRS) of Ohio.....	80
Notes to Required Supplementary Information.....	82
Schedule of Expenditures of Federal Awards .....	85
Notes to the Schedule of Expenditures of Federal Awards.....	86
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	87
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	89
Schedule of Findings.....	91
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	93
Corrective Action Plan .....	95

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT

Hillsdale Local School District  
Ashland County  
485 Township Road 1902  
Jeromesville, Ohio 44840

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 Hillsdale Local School District, Ashland County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 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 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 Hillsdale Local School District, Ashland County, Ohio, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 18 to the financial statements, during 2021, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the 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 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 6, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 6, 2022

**THIS PAGE INTENTIONALLY LEFT BLANK**



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The management's discussion and analysis of the Hillsdale Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position of governmental activities increased \$10,891,542 which represents an 103.14% increase from 2020's net position.
- General revenues accounted for \$25,077,958 in revenue or 89.74% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$2,868,266 or 10.26% of total revenues of \$27,946,224.
- The District had \$17,054,682 in expenses related to governmental activities; only \$2,868,266 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$25,077,958 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, permanent improvement fund, building fund, and the capital projects fund. The general fund had \$19,380,108 in revenues. The general fund also had \$19,010,016 in expenditures and other financing uses. During fiscal year 2021 the general fund's fund balance increased \$370,092 from a balance of \$8,196,337 to \$8,566,429.
- The permanent improvement fund had \$17,664,827 in revenue and other financing sources and \$11,677,040 in expenditures. During fiscal year 2021, the fund balance of the permanent improvement fund increased \$5,987,787 from a balance of \$724,835 to \$6,712,622.
- The building fund had \$76,368,520 in revenue and other financing sources and \$10,647,274 in expenditures. During fiscal year 2021, the fund balance of the building fund increased \$65,721,246.
- The capital projects fund had \$828,194 in revenue and other financing sources and \$7,117,157 in expenditures. During fiscal year 2021, the fund balance of the capital projects fund decreased \$6,288,963 from a balance of \$6,570,729 to \$281,766.

**Using the Basic Financial Statements (BFS)**

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, permanent improvement fund, building fund, and the capital projects fund are the most significant funds, and the only governmental funds reported as major funds.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include *all assets, liabilities, deferred inflows, deferred outflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 16-17 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund, building fund, and the capital projects fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government 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 basic financial statements. The basic governmental fund financial statements can be found on pages 18-24 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-65 of this report.

***Required Supplementary Information***

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability and net OPEB liability/asset of the retirement systems and a ten year schedule of District's contributions to the retirement systems to fund pension and OPEB obligations. The required supplementary information can be found on pages 68 through 83 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2021 and June 30, 2020.

	<b>Net Position</b>	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 105,970,148	\$ 34,645,583
Capital assets, net	<u>21,108,692</u>	<u>4,667,195</u>
Total assets	<u>127,078,840</u>	<u>39,312,778</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,056,670	2,142,862
OPEB	<u>266,090</u>	<u>205,230</u>
Total deferred outflows of resources	<u>2,322,760</u>	<u>2,348,092</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,409,052	1,393,093
Long-term liabilities:		
Due within one year	4,246,894	93,786
Due in more than one year:		
Net pension liability	11,009,904	10,242,185
Net OPEB liability	772,920	888,674
Other amounts	<u>73,399,648</u>	<u>902,174</u>
Total liabilities	<u>94,838,418</u>	<u>13,519,912</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	11,553,770	15,795,591
Pension	348,118	713,982
OPEB	<u>1,209,837</u>	<u>1,071,470</u>
Total deferred inflows of resources	<u>13,111,725</u>	<u>17,581,043</u>
<b><u>Net Position</u></b>		
Investment in capital assets	9,945,389	4,643,070
Restricted	419,102	340,126
Unrestricted	<u>11,086,966</u>	<u>5,576,719</u>
Total net position	<u>\$ 21,451,457</u>	<u>\$ 10,559,915</u>

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is 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 District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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*. 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 to equal the 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 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.

In accordance with GASB 68 and GASB 75, the 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, respectively, not accounted for as deferred inflows/outflows.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

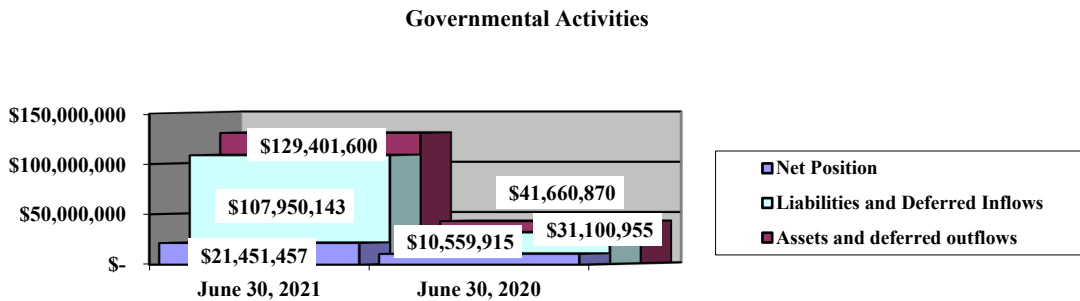
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2021, the District’s liabilities and deferred inflows exceeded assets and deferred outflows by \$21,451,457.

At year-end, capital assets represented 16.61% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, equipment, vehicles, textbooks, and infrastructure. The District’s net investment in capital assets at June 30, 2021, was \$9,945,389. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$419,102, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a balance of \$11,086,966.

The graph below reports the District’s governmental activities assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2021 and 2020.



The significant increases in assets, liabilities, and net position for fiscal year 2021 are all related to the issuance of certificates of participation to commence a building improvement project. This had the effect of increasing current assets for the unspent proceeds, capital assets for construction in progress, current liabilities for contracts and retainage payable, and long-term liabilities as the District will be repaying the debt over the next several years.

The table below shows the change in net position for fiscal years 2021 and 2020.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 900,371	\$ 1,065,127
Operating grants and contributions	1,842,895	1,065,442
Capital grants and contributions	125,000	-
General revenues:		
Property taxes	18,673,703	11,529,666
Income taxes	2,020,406	1,792,602
Grants and entitlements	4,090,025	3,972,313
Investment earnings	251,117	233,491
Other	<u>42,707</u>	<u>67,457</u>
Total revenues	<u>27,946,224</u>	<u>19,726,098</u>

- Continued

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Change in Net Position (Continued)**

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,245,424	\$ 4,436,671
Special	1,160,608	1,018,985
Vocational	363,403	336,075
Other	615,617	639,769
Support services:		
Pupil	1,333,790	1,140,364
Instructional staff	387,330	323,541
Board of education	185,418	101,198
Administration	1,039,688	856,510
Fiscal	473,388	503,398
Operations and maintenance	934,427	892,336
Pupil transportation	868,814	826,675
Central	82,911	75,876
Operation of non-instructional services:		
Food service operations	497,869	451,530
Other non-instructional services	14,959	12,340
Extracurricular activities	710,211	458,252
Interest and fiscal charges	<u>3,140,825</u>	<u>1,355</u>
Total expenses	<u>17,054,682</u>	<u>12,074,875</u>
Change in net position	10,891,542	7,651,223
Net position at beginning of year	<u>10,559,915</u>	<u>2,908,692</u>
Net position at end of year	<u>\$ 21,451,457</u>	<u>\$ 10,559,915</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$10,891,542. Total governmental expenses of \$17,054,682 were offset by program revenues of \$2,868,266 and general revenues of \$25,077,958. Program revenues supported 16.82% of the total governmental expenses.

The residents of the District passed a 1.25% Earned Income Tax Levy (effective for 10 years) on the November 2013 ballot. Collections on this levy began in fiscal year 2014.

The large increase in property tax revenue was primarily due to amounts received from the construction of the Rover Pipeline.

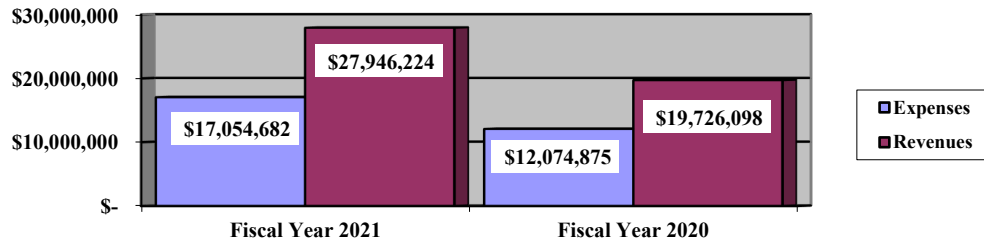
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,385,052 or 43.30% of total governmental expenses for fiscal 2021.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2021 and 2020.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2021</u>	Net Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,245,424	\$ 4,225,130	\$ 4,436,671	\$ 3,724,457
Special	1,160,608	815,143	1,018,985	654,740
Vocational	363,403	306,772	336,075	274,933
Other	615,617	615,617	639,769	639,769
Support services:				
Pupil	1,333,790	952,156	1,140,364	856,693
Instructional staff	387,330	343,788	323,541	285,058
Board of education	185,418	185,418	101,198	101,198
Administration	1,039,688	1,039,418	856,510	856,240
Fiscal	473,388	473,118	503,398	503,128
Operations and maintenance	934,427	745,326	892,336	855,233
Pupil transportation	868,814	839,584	826,675	807,014
Central	82,911	81,877	75,876	75,581
Food service operations	497,869	(28,036)	451,530	46,016
Operations of non-instructional services	14,959	7,565	12,340	(942)
Extracurricular activities	710,211	442,715	458,252	263,833
Interest and fiscal charges	<u>3,140,825</u>	<u>3,140,825</u>	<u>1,355</u>	<u>1,355</u>
<b>Total expenses</b>	<b>\$ 17,054,682</b>	<b>\$ 14,186,416</b>	<b>\$ 12,074,875</b>	<b>\$ 9,944,306</b>

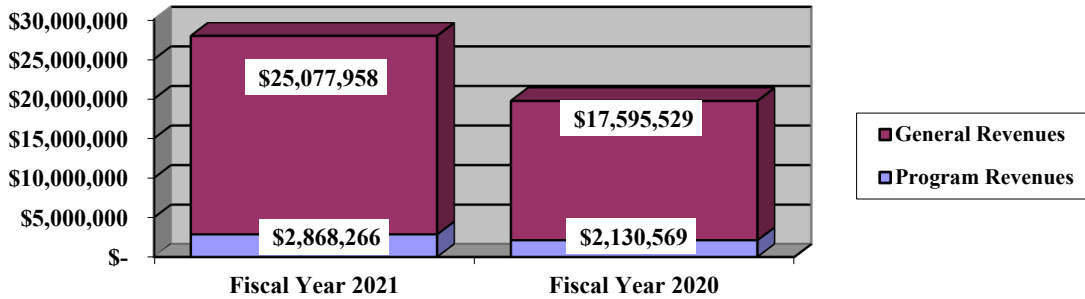
The dependence upon tax and other general revenues for governmental activities is apparent, 80.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.18%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The graph below presents the District's governmental activities revenue for fiscal year 2021 and 2020.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 18 and 19) reported a combined fund balance of \$81,405,383, which is more than last year's total of \$15,564,924. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

	Fund Balance <u>June 30, 2021</u>	Fund Balance <u>June 30, 2020</u>	<u>Change</u>
General	\$ 8,566,429	\$ 8,196,337	\$ 370,092
Permanent improvement	6,712,622	724,835	5,987,787
Building	65,721,246	-	65,721,246
Capital projects	281,766	6,570,729	(6,288,963)
Other governmental	123,320	73,023	50,297
<b>Total</b>	<b><u>\$ 81,405,383</u></b>	<b><u>\$ 15,564,924</u></b>	<b><u>\$ 65,840,459</u></b>

THIS SPACE INTENTIONALLY LEFT BLANK



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

***General Fund***

The District's general fund's fund balance increased by \$370,092. The large increase in revenue was primarily due to amounts received from the construction of the Rover Pipeline. This increase was offset by a transfer to the permanent improvement fund.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 12,224,591	\$ 10,996,454	11.17 %
Income taxes	2,035,406	1,768,168	15.11 %
Tuition	714,706	663,475	7.72 %
Earnings on investments	17,327	177,458	(90.24) %
Intergovernmental	4,322,464	4,204,193	2.81 %
Other revenues	<u>65,614</u>	<u>136,358</u>	(51.88) %
Total	<u>\$ 19,380,108</u>	<u>\$ 17,946,106</u>	7.99 %
<b><u>Expenditures</u></b>			
Instruction	\$ 6,569,247	\$ 6,514,629	0.84 %
Support services	4,421,045	4,064,672	8.77 %
Operation of non-instructional services	2,600	2,340	11.11 %
Extracurricular activities	485,428	347,454	39.71 %
Debt service	<u>6,795</u>	<u>6,795</u>	- %
Total	<u>\$ 11,485,115</u>	<u>\$ 10,935,890</u>	5.02 %

Both general fund revenues and expenditures increased in fiscal year 2021.

Property taxes increased primarily due to revenue received from the construction of the Rover Pipeline. Income tax revenue increased due to collections being pushed back as a result of the COVID-19 Pandemic.

The overall increase in general fund expenditures was 5.02%. The increase in support service expenditures is due to increased pupil, instructional staff, board of education, and administration expenditures. The increase in instruction expenditures is due to increased regular and special expenditures.

***Permanent Improvement Fund***

The permanent improvement fund had \$17,664,827 in revenue and other financing sources and \$11,677,040 in expenditures. During fiscal year 2021, the fund balance of the permanent improvement fund increased \$5,987,787 from a balance of \$724,835 to \$6,712,622.

***Building Fund***

The building fund had \$76,368,520 in revenue and other financing sources and \$10,647,274 in expenditures. During fiscal year 2021, the fund balance of the building fund increased \$65,721,246.

***Capital Projects Fund***

The capital projects fund had \$828,194 in revenue and other financing sources and \$7,117,157 in expenditures. During fiscal year 2021, the fund balance of the capital projects fund decreased \$6,288,963 from a balance of \$6,570,729 to \$281,766.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2021, the District amended its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$24,119,203. Actual revenues and other financing sources for fiscal 2021 were \$19,392,462 which was \$4,726,741 less than the final budgeted revenues.

General fund original budgeted appropriations were \$17,688,187, and final budgeted appropriations were \$25,191,787. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled \$19,403,027 which was \$5,788,760 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$21,108,692 invested in land, construction in progress, land improvements, buildings and improvements, furniture, equipment, vehicles, textbooks, and infrastructure. The entire amount is reported in governmental activities. The following table shows June 30, 2021 balances compared to June 30, 2020.

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

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 51,970	\$ 51,970
Construction in progress	18,570,225	2,004,179
Land improvements	240,407	254,535
Building and improvements	861,397	940,019
Furniture, equipment, vehicles, and textbooks	1,370,530	1,398,453
Infrastructure	<u>14,163</u>	<u>18,039</u>
Total	<u>\$ 21,108,692</u>	<u>\$ 4,667,195</u>

Total additions to capital assets for 2021 were \$16,746,082. Depreciation expense for fiscal 2021 was \$304,585. Overall, capital assets of the District increased \$16,441,497. See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District had \$65,858,406 in capital lease obligations and certificates of participation outstanding. Of this total, \$4,176,011 is due within one year and \$61,682,395 is due in greater than one year.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
Capital lease obligations	\$ 18,406	\$ 24,125
Certificates of participation	<u>65,840,000</u>	<u>-</u>
Total	<u>\$ 65,858,406</u>	<u>\$ 24,125</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The school district received an increase in revenue in Public Utility taxation as a result of the Rover Pipeline. The Rover Pipeline consists of two pipelines with approximately 20 miles of the pipeline crossing through the district. There is a compressor station that resides in the district that will add additional revenue starting in 2021. Property taxes made up 66.97% of revenues for governmental activities for the Hillsdale Local District in year 2021.

Effective July 1, 2021 with the new biennial budget we are anticipating revenue to remain flat. How legislation plans on funding education programs remain a concern.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at 485 TR 1902, Jeromesville, Ohio, 419-368-8503.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 83,144,377
Cash with fiscal agent	1,218,327
Receivables:	
Property taxes	19,459,458
Income taxes	769,088
Accounts	6,251
Accrued interest	188,529
Intergovernmental	364,035
Prepayments	168,379
Materials and supplies inventory	12,222
Inventory held for resale	4,033
Net OPEB asset	635,449
Capital assets:	
Nondepreciable capital assets	18,622,195
Depreciable capital assets, net	2,486,497
Capital assets, net	21,108,692
Total assets	127,078,840
 <b>Deferred outflows of resources:</b>	
Pension	2,056,670
OPEB	266,090
Total deferred outflows of resources	2,322,760
 <b>Liabilities:</b>	
Accounts payable	48,970
Contracts payable	3,061,122
Retainage payable	430,156
Accrued wages and benefits payable	1,254,917
Intergovernmental payable	61,113
Pension obligation payable	196,283
Accrued interest payable	208,673
Claims payable	147,818
Long-term liabilities:	
Due within one year	4,246,894
Due in more than one year:	
Net pension liability	11,009,904
Net OPEB liability	772,920
Other amounts due in more than one year	73,399,648
Total liabilities	94,838,418
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	11,553,770
Pension	348,118
OPEB	1,209,837
Total deferred inflows of resources	13,111,725
 <b>Net position:</b>	
Net investment in capital assets	9,945,389
Restricted for:	
Capital projects	220,451
State funded programs	95,926
Federally funded programs	150
Extracurricular activities	91,113
Other purposes	11,462
Unrestricted	11,086,966
Total net position	\$ 21,451,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 5,245,424	\$ 714,425	\$ 305,869	\$ -	\$ (4,225,130)
Special	1,160,608	24,728	320,737	-	(815,143)
Vocational	363,403	-	56,631	-	(306,772)
Other	615,617	-	-	-	(615,617)
Support services:					
Pupil	1,333,790	-	381,634	-	(952,156)
Instructional staff	387,330	-	43,542	-	(343,788)
Board of education	185,418	-	-	-	(185,418)
Administration	1,039,688	-	270	-	(1,039,418)
Fiscal	473,388	-	270	-	(473,118)
Operations and maintenance	934,427	-	189,101	-	(745,326)
Pupil transportation	868,814	-	29,230	-	(839,584)
Central	82,911	-	1,034	-	(81,877)
Operation of non-instructional services:					
Food service operations	497,869	19,283	506,622	-	28,036
Other non-instructional services	14,959	-	7,394	-	(7,565)
Extracurricular activities	710,211	141,935	561	125,000	(442,715)
Interest and fiscal charges	3,140,825	-	-	-	(3,140,825)
<b>Totals</b>	<b>\$ 17,054,682</b>	<b>\$ 900,371</b>	<b>\$ 1,842,895</b>	<b>\$ 125,000</b>	<b>(14,186,416)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes					17,707,363
Capital outlay					966,340
Income taxes levied for:					
General purposes					2,020,406
Grants and entitlements not restricted to specific programs					4,090,025
Investment earnings					251,117
Miscellaneous					42,707
Total general revenues					<u>25,077,958</u>
Change in net position					10,891,542
<b>Net position at beginning of year</b>					<u>10,559,915</u>
<b>Net position at end of year</b>					<u>\$ 21,451,457</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Capital Projects</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 7,023,849	\$ 6,615,869	\$ 69,003,085	\$ 310,268
Receivables:				
Property taxes	18,520,014	939,444	-	-
Income taxes	769,088	-	-	-
Accounts	486	-	-	-
Accrued interest	7,231	361	180,905	32
Interfund loans	299,558	-	-	-
Intergovernmental	5,242	-	-	-
Prepayments	159,697	-	-	-
Materials and supplies inventory	10,140	-	-	-
Inventory held for resale	-	-	-	-
Total assets	<u>\$ 26,795,305</u>	<u>\$ 7,555,674</u>	<u>\$ 69,183,990</u>	<u>\$ 310,300</u>
<b>Liabilities:</b>				
Accounts payable	\$ 10,037	\$ -	\$ -	\$ -
Contracts payable	-	-	3,032,588	28,534
Retainage payable	-	-	430,156	-
Accrued wages and benefits payable	1,207,007	-	-	-
Compensated absences payable	673	-	-	-
Intergovernmental payable	60,150	-	-	-
Pension obligation payable	179,756	-	-	-
Interfund loans payable	-	-	-	-
Total liabilities	<u>1,457,623</u>	<u>-</u>	<u>3,462,744</u>	<u>28,534</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year	10,996,897	556,873	-	-
Delinquent property tax revenue not available	5,626,065	286,179	-	-
Income tax revenue not available	147,300	-	-	-
Intergovernmental revenue not available	-	-	-	-
Accrued interest not available	991	-	-	-
Total deferred inflows of resources	<u>16,771,253</u>	<u>843,052</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory	10,140	-	-	-
Prepays	159,697	-	-	-
Restricted:				
Capital improvements	-	-	65,721,246	-
State funded programs	-	-	-	-
Federally funded programs	-	-	-	-
Extracurricular activities	-	-	-	-
Other purposes	-	-	-	-
Committed:				
Capital improvements	-	-	-	281,766
Debt service	-	6,803,600	-	-
Assigned:				
Student instruction	154,189	-	-	-
Student and staff support	216,150	-	-	-
Unassigned (deficit)	8,026,253	(90,978)	-	-
Total fund balances	<u>8,566,429</u>	<u>6,712,622</u>	<u>65,721,246</u>	<u>281,766</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,795,305</u>	<u>\$ 7,555,674</u>	<u>\$ 69,183,990</u>	<u>\$ 310,300</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 191,306	\$ 83,144,377
-	19,459,458
-	769,088
5,765	6,251
-	188,529
-	299,558
358,793	364,035
8,682	168,379
2,082	12,222
4,033	4,033
<u>\$ 570,661</u>	<u>\$ 104,415,930</u>
\$ 38,933	\$ 48,970
-	3,061,122
-	430,156
47,910	1,254,917
-	673
963	61,113
16,527	196,283
299,558	299,558
<u>403,891</u>	<u>5,352,792</u>
-	11,553,770
-	5,912,244
-	147,300
43,450	43,450
-	991
<u>43,450</u>	<u>17,657,755</u>
2,082	12,222
8,682	168,379
-	65,721,246
95,926	95,926
6	6
91,113	91,113
11,462	11,462
-	281,766
-	6,803,600
-	154,189
-	216,150
<u>(85,951)</u>	<u>7,849,324</u>
<u>123,320</u>	<u>81,405,383</u>
<u>\$ 570,661</u>	<u>\$ 104,415,930</u>

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

<b>Total governmental fund balances</b>		\$	81,405,383
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,108,692
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	5,912,244	
Income taxes receivable		147,300	
Accrued interest receivable		991	
Intergovernmental receivable		43,450	
Total		6,103,985	6,103,985
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,070,509
Unamortized premiums on bonds issued are not recognized in the funds.			(10,777,158)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(208,673)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		2,056,670	
Deferred inflows - pension		(348,118)	
Net pension liability		(11,009,904)	
Deferred outflows - OPEB		266,090	
Deferred inflows - OPEB		(1,209,837)	
Net OPEB asset		635,449	
Net OPEB liability		(772,920)	
Total		(10,382,570)	(10,382,570)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(18,406)	
Compensated absences		(1,010,305)	
Certificates of participation		(65,840,000)	
Total		(66,868,711)	(66,868,711)
<b>Net position of governmental activities</b>		\$	21,451,457

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**THIS PAGE INTENTIONALLY LEFT BLANK**

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Capital Projects</u>
<b>Revenues:</b>				
Property taxes	\$ 12,224,591	\$ 685,095	\$ -	\$ -
Income taxes	2,035,406	-	-	-
Intergovernmental	4,322,464	33,012	-	-
Investment earnings	17,327	3,698	220,451	3,194
Tuition and fees	714,706	-	-	-
Extracurricular	-	-	-	-
Charges for services	-	-	-	-
Contributions and donations	14,750	-	-	125,000
Miscellaneous	50,864	1,540	-	-
Total revenues	<u>19,380,108</u>	<u>723,345</u>	<u>220,451</u>	<u>128,194</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,650,799	11,445	-	-
Special	972,255	-	-	-
Vocational	330,576	-	-	-
Other	615,617	-	-	-
Support services:				
Pupil	1,016,096	-	-	-
Instructional staff	339,693	-	-	-
Board of education	137,225	-	-	47,693
Administration	993,412	12,708	-	-
Fiscal	452,635	9,751	-	-
Operations and maintenance	679,171	8,028	-	-
Pupil transportation	723,032	113,321	-	-
Central	79,781	-	-	-
Operation of non-instructional services				
Food service operations	-	-	-	-
Other non-instructional services	2,600	4,967	-	-
Extracurricular activities	485,428	20,513	-	3,208
Facilities acquisition and construction	-	44,507	9,499,205	7,066,256
Debt service:				
Principal retirement	5,719	9,160,000	-	-
Interest and fiscal charges	1,076	2,291,800	-	-
Debt issuance costs	-	-	1,148,069	-
Total expenditures	<u>11,485,115</u>	<u>11,677,040</u>	<u>10,647,274</u>	<u>7,117,157</u>
Excess of revenues over (under) expenditures:	<u>7,894,993</u>	<u>(10,953,695)</u>	<u>(10,426,823)</u>	<u>(6,988,963)</u>
<b>Other financing sources (uses):</b>				
Premium on certificates of participation	-	10,137,882	1,148,069	-
Issuance of certificates of participation	-	-	75,000,000	-
Transfers in	-	6,803,600	-	700,000
Transfers (out)	(7,524,901)	-	-	-
Total other financing sources (uses)	<u>(7,524,901)</u>	<u>16,941,482</u>	<u>76,148,069</u>	<u>700,000</u>
Net change in fund balances	370,092	5,987,787	65,721,246	(6,288,963)
<b>Fund balances at beginning of year</b>	<u>8,196,337</u>	<u>724,835</u>	<u>-</u>	<u>6,570,729</u>
<b>Fund balances at end of year</b>	<u>\$ 8,566,429</u>	<u>\$ 6,712,622</u>	<u>\$ 65,721,246</u>	<u>\$ 281,766</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 12,909,686
-	2,035,406
1,536,670	5,892,146
-	244,670
-	714,706
141,935	141,935
19,283	19,283
990	140,740
1,605	54,009
<u>1,700,483</u>	<u>22,152,581</u>
307,330	4,969,574
152,457	1,124,712
-	330,576
-	615,617
304,132	1,320,228
43,532	383,225
-	184,918
270	1,006,390
270	462,656
189,051	876,250
12,137	848,490
1,050	80,831
489,094	489,094
7,392	14,959
164,772	673,921
-	16,609,968
-	9,165,719
-	2,292,876
-	1,148,069
<u>1,671,487</u>	<u>42,598,073</u>
<u>28,996</u>	<u>(20,445,492)</u>
-	11,285,951
-	75,000,000
21,301	7,524,901
-	(7,524,901)
<u>21,301</u>	<u>86,285,951</u>
50,297	65,840,459
73,023	15,564,924
<u>\$ 123,320</u>	<u>\$ 81,405,383</u>

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, 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

<b>Net change in fund balances - total governmental funds</b>	\$	65,840,459
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 16,746,082	
Current year depreciation	(304,585)	
Total	16,441,497	16,441,497
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	5,764,017	
Income taxes	(15,000)	
Earnings on investments	(2,853)	
Intergovernmental	38,179	
Total	5,784,343	5,784,343
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		9,165,719
Issuances of long-term debt are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(75,000,000)
Premiums on long-term debt are amortized over the life of the issuance in the statement of activities		
		(11,285,951)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) in accrued interest payable	(208,673)	
Amortization of debt premiums	508,793	
Total	300,120	300,120
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	846,836	
OPEB	22,969	
Total	869,805	869,805
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.		
Pension	(1,334,883)	
OPEB	38,040	
Total	(1,296,843)	(1,296,843)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(50,477)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		122,870
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>10,891,542</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 15,341,661	\$ 15,341,661	\$ 12,202,071	\$ (3,139,590)
Income taxes	2,143,740	2,143,740	1,899,230	(244,510)
Intergovernmental	5,513,081	5,513,081	4,333,826	(1,179,255)
Investment earnings	132,277	132,277	65,400	(66,877)
Tuition and fees	927,380	927,380	705,542	(221,838)
Rental income	2,795	2,795	-	(2,795)
Contributions and donations	10,271	10,271	12,000	1,729
Miscellaneous	26,045	26,045	21,762	(4,283)
Total revenues	<u>24,097,250</u>	<u>24,097,250</u>	<u>19,239,831</u>	<u>(4,857,419)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,890,095	7,107,053	4,750,877	2,356,176
Special	1,430,081	1,571,131	1,055,877	515,254
Vocational	494,142	473,493	316,227	157,266
Other	1,038,986	913,789	615,685	298,104
Support services:				
Pupil	1,633,474	1,609,258	1,018,117	591,141
Instructional staff	545,195	561,117	366,840	194,277
Board of education	319,993	286,525	189,029	97,496
Administration	1,320,221	1,306,285	886,095	420,190
Fiscal	792,974	747,154	455,733	291,421
Operations and maintenance	1,227,088	1,106,794	695,270	411,524
Pupil transportation	1,144,272	1,111,615	688,841	422,774
Central	128,179	116,241	77,902	38,339
Operation of non-instructional services:				
Other non-instructional services	15,730	14,990	2,600	12,390
Extracurricular activities	707,757	736,103	459,475	276,628
Total expenditures	<u>17,688,187</u>	<u>17,661,548</u>	<u>11,578,568</u>	<u>6,082,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,409,063</u>	<u>6,435,702</u>	<u>7,661,263</u>	<u>1,225,561</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	21,453	21,453	102,085	80,632
Transfers (out)	-	(7,523,839)	(7,524,901)	(1,062)
Advances in	-	-	42,566	42,566
Advances (out)	-	(6,400)	(299,558)	(293,158)
Sale of capital assets	500	500	7,980	7,480
Total other financing sources (uses)	<u>21,953</u>	<u>(7,508,286)</u>	<u>(7,671,828)</u>	<u>(163,542)</u>
Net change in fund balance	6,431,016	(1,072,584)	(10,565)	1,062,019
<b>Fund balance at beginning of year</b>	<u>6,637,705</u>	<u>6,637,705</u>	<u>6,637,705</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 13,068,721</u>	<u>\$ 5,565,121</u>	<u>\$ 6,627,140</u>	<u>\$ 1,062,019</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Cash with fiscal agent	\$ 1,218,327
Total assets	<u>1,218,327</u>
<b>Liabilities:</b>	
Claims payable	<u>147,818</u>
Total liabilities	<u>147,818</u>
<b>Net position:</b>	
Unrestricted	<u>1,070,509</u>
Total net position	<u>\$ 1,070,509</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services	\$ 2,207,947
Total operating revenues	2,207,947
<b>Operating expenses:</b>	
Purchased services	695,333
Claims	1,399,044
Total operating expenses	2,094,377
Operating income	113,570
<b>Nonoperating revenues:</b>	
Interest revenue	9,300
Total nonoperating revenues	9,300
Change in net position	122,870
<b>Net position at beginning of year</b>	947,639
<b>Net position at end of year</b>	\$ 1,070,509

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from other operations	\$ 2,207,947
Cash payments for purchased services	(695,333)
Cash payments for claims	(1,385,119)
	127,495
<b>Net cash provided by operating activities</b>	<b>127,495</b>
<b>Cash flows from investing activities:</b>	
Interest received	9,300
	9,300
<b>Net cash provided by investing activities</b>	<b>9,300</b>
Net change in cash with fiscal agent	136,795
<b>Cash and cash equivalents at beginning of year</b>	<b>1,081,532</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,218,327</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 113,570
Changes in assets and liabilities:	
Claims payable	13,925
	13,925
<b>Net cash provided by operating activities</b>	<b>\$ 127,495</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Hillsdale Local School District (the “District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District.

The District employs 47 non-certified and 68 certified full-time and part-time employees to provide services to 801 students.

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

The basic financial statements of the 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 District’s significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Computer Service Association

The Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions for member school districts. Each of the governments of these school districts supports TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the treasurer at Tri-County Educational Services Center, which serves as fiscal agent, located in Wooster, Ohio. During the fiscal year ended June 30, 2021, the District paid \$961,306 to TCCSA.

Ashland County - West Holmes Career Center

The Ashland County-West Holmes Career Center (the "Career Center"), a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of the State of Ohio. The Board possesses its own budgetary and taxing authority. Financial information can be obtained by contacting the Career Center treasurer.

*INSURANCE PURCHASING POOLS*

Jefferson Health Plan

The District is a participant with several other school districts in an insurance purchasing pool to operate the Jefferson Health Plan. The Jefferson Health Plan was formed for the purpose of providing insurance. The Jefferson Health Plan is governed by a Board of Directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. 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.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

Ohio School Plan

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the OSP to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district's superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Permanent improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District.

Capital projects fund - The capital projects fund is used to accumulate money for one or more capital projects.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical benefits to employees.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**C. Basis of Presentation and Measurement Focus**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6) and revenue from income taxes is recognized in the year in which the income is earned (See Note 8).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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. Budgets**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level.

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

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

**F. Cash and Investments**

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

During fiscal year 2021, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit (negotiable CD's), Federal Home Loan Mortgage (FHLM) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, municipal bonds, commercial paper, U.S. Treasury Notes, and money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its 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.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$2500 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund or by Board resolution. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$17,327, which includes \$16,787 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption. Inventory held for resale consists of donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$3,000. 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 reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 50 years
Buildings and improvements	5 - 50 years
Furniture, equipment, vehicles, and textbooks	5 - 20 years
Infrastructure	5 - 50 years

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer 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 termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**L. Fund Balance**

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

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

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



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the net position statement/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

**P. Interfund Activity**

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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. 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 imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2021.

**R. Pensions/Other Postemployment Benefits (OPEB)**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

**T. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Deficit Fund Balances**

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 11,407
Elementary and Secondary School Emergency Relief	43,306
IDEA Part B	30
Title I	20,444

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 that the fair 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$25 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent (See Note 12.D.). The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2021 was \$1,218,327. This represents the balance of the District's employee benefit self-insurance fund. This amount is not included in the "deposits" or "investments" reported below.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was \$145,167, and the bank balance of all District deposits was \$314,136. As of June 30, 2021, all of the District's bank balance was covered by the FDIC. Of the bank balance, \$255,768 was covered by the FDIC, and \$58,368 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2021, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair value:</i>						
Negotiable CD's	\$ 2,481,003	\$ 494,332	\$ 1,004,254	\$ 240,182	\$ 248,903	\$ 493,332
FHLB	2,999,876	-	-	2,999,876	-	-
FFCB	3,399,908	-	-	3,399,908	-	-
FHLM	14,106,406	-	-	4,106,821	9,000,892	998,693
FNMA	6,000,207	-	-	-	-	6,000,207
Municipal Bonds	14,989,779	13,637,180	-	783,360	348,323	220,916
Commercial Paper	26,128,331	11,357,204	14,771,127	-	-	-
US Treasury Notes	1,328,166	-	-	-	928,838	399,328
Money Market	6,967	6,967	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>11,558,542</u>	<u>11,558,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 82,999,185</u>	<u>\$ 37,054,225</u>	<u>\$ 15,775,381</u>	<u>\$ 11,530,147</u>	<u>\$ 10,526,956</u>	<u>\$ 8,112,476</u>

The weighted average maturity of investments is 0.82 years.

The District's investments measured at fair value are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. The following table summarizes the ratings assigned to the District's investments by Standard & Poor's:

<u>Investment type</u>	<u>Rating</u>
U.S. Government Agency Notes	AA+ to AAA
U.S. Treasury Notes	AA+
Negotiable CDs	Not rated
Commercial Paper	A-1 to A-1+
Municipal Bonds	SP1+
U.S. Government Money Market Funds	Not rated
STAR Ohio	AAAm

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
Negotiable CD's	\$ 2,481,003	2.99
FHLB	2,999,876	3.61
FFCB	3,399,908	4.10
FHLM	14,106,406	17.00
FNMA	6,000,207	7.23
Municipal Bonds	14,989,779	18.06
Commercial Paper	26,128,331	31.47
US Treasury Notes	1,328,166	1.60
Money Market	6,967	0.01
<i>Amortized Cost:</i>		
STAR Ohio	<u>11,558,542</u>	<u>13.93</u>
Total	<u>\$ 82,999,185</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 145,167
Investments	82,999,185
Cash with fiscal agent	1,218,327
Cash on hand	<u>25</u>
Total	<u>\$ 84,362,704</u>

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 84,362,704
Total	<u>\$ 84,362,704</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2021 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 299,558</u>

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the fiscal year ended June 30, 2021, consisted of the following, as reported on the fund financial statements:

<u>Transfer from the General fund to:</u>	
Permanent Improvement fund	\$ 6,803,600
Capital Projects fund	700,000
Nonmajor governmental funds	<u>21,301</u>
Total	<u>\$ 7,524,901</u>

The transfers of \$6,803,600 and \$700,000 were made to move resources to the permanent improvement and capital projects funds, respectively, from the general fund to finance a project that the District began in fiscal year 2020. The primary purpose of the \$21,301 transfer from the general fund to the district managed student activity fund (a nonmajor governmental fund) is to cover negative cash balance in the fund. Interfund transfers between governmental funds are eliminated on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Ashland County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available as an advance at June 30, 2021 was \$1,897,052 in the general fund and \$96,392 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$1,875,106 in the general fund and \$64,562 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 153,573,070	34.66	\$ 160,182,270	35.26
Public utility personal	<u>289,538,990</u>	<u>65.34</u>	<u>294,127,510</u>	<u>64.74</u>
Total	<u>\$ 443,112,060</u>	<u>100.00</u>	<u>\$ 454,309,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.40		\$49.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2021 consisted of property taxes, income taxes, accounts, accrued interest, and intergovernmental 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 year guarantee of federal funds. A list of the receivables on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 19,459,458
Income taxes	769,088
Accounts	6,251
Accrued interest	188,529
Intergovernmental	<u>364,035</u>
Total	<u>\$ 20,787,361</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 8 - INCOME TAXES**

On the November 2013 ballot, the residents of the District approved a 1.25% Earned Income Tax Levy effective until 2023. The voted income tax will apply to income on residents and on estates and will be used for general operations of the District. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund in the amount of \$2,035,406 for fiscal year 2021.

**NOTE 9 - CAPITAL ASSETS**

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

	Balance			Balance
<b>Governmental activities:</b>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 51,970	\$ -	\$ -	\$ 51,970
Construction in progress	2,004,179	16,566,046	-	18,570,225
Total capital assets, not being depreciated	<u>2,056,149</u>	<u>16,566,046</u>	<u>-</u>	<u>18,622,195</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	518,746	-	-	518,746
Buildings and improvements	3,402,079	-	-	3,402,079
Furniture, equipment, vehicles, and textbooks	4,392,146	180,036	(145,425)	4,426,757
Infrastructure	36,045	-	-	36,045
Total capital assets, being depreciated	<u>8,349,016</u>	<u>180,036</u>	<u>(145,425)</u>	<u>8,383,627</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(264,211)	(14,128)	-	(278,339)
Buildings and improvements	(2,462,060)	(78,622)	-	(2,540,682)
Furniture, equipment, vehicles, and textbooks	(2,993,693)	(207,959)	145,425	(3,056,227)
Infrastructure	(18,006)	(3,876)	-	(21,882)
Total accumulated depreciation	<u>(5,737,970)</u>	<u>(304,585)</u>	<u>145,425</u>	<u>(5,897,130)</u>
Governmental activities capital assets, net	<u>\$ 4,667,195</u>	<u>\$ 16,441,497</u>	<u>\$ -</u>	<u>\$ 21,108,692</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 124,699
Vocational	12,792
<u>Support services:</u>	
Pupil	731
Administration	538
Operations and maintenance	13,905
Pupil transportation	126,720
Food service operations	7,437
Extracurricular activities	<u>17,763</u>
Total depreciation expense	<u>\$ 304,585</u>

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 10 - CAPITALIZED LEASE**

During fiscal year 2019, the District entered into a capitalized lease for copiers. The lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of \$30,008, which represents the present value of the future minimum lease payments at the time of acquisition.

Principal and interest payments in the 2021 fiscal year totaled \$5,719 and \$1,076 respectively. These amounts are reported as debt service payments of the general fund.

The capitalized assets acquired through capital leases are as follows:

**Assets:**

Equipment (copiers)	\$ 30,008
Less: accumulated depreciation	<u>(15,004)</u>
Total	<u>\$ 15,004</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2021.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 6,795
2023	6,795
2024	<u>6,229</u>
Total minimum lease payments	19,819
Less: amount representing interest	<u>(1,413)</u>
Total	<u>\$ 18,406</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2021, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>06/30/20</u>			<u>06/30/21</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
Certificates of participation	\$ -	\$ 75,000,000	\$ (9,160,000)	\$ 65,840,000	\$ 4,170,000
Net pension liability	10,242,185	767,719	-	11,009,904	-
Net OPEB liability	888,674	-	(115,754)	772,920	-
Capital lease	24,125	-	(5,719)	18,406	6,011
Compensated absences	<u>971,835</u>	<u>39,143</u>	<u>-</u>	<u>1,010,978</u>	<u>70,883</u>
Total governmental activities					
long term liabilities	<u>\$ 12,126,819</u>	<u>\$ 75,806,862</u>	<u>\$ (9,281,473)</u>	\$ 78,652,208	<u>\$ 4,246,894</u>
Add: unamortized premium				<u>10,777,158</u>	
Total on statement of net position				<u>\$ 89,429,366</u>	

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The District's net pension liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

The District's net OPEB liability/asset is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

Capital leases were paid from the general fund. See Note 10 for more details.

Compensated absences will be paid from the fund which the employees' salaries are paid which, for the District is the general fund.

The series 2020 certificates of participation (COPs) were issued in fiscal year 2021 in the amount of \$75,000,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The COPs bear an interest rate of 4.0% and the final stated maturity in December 1, 2040. Payments of principal and interest began in fiscal year 2021 and will be paid from the permanent improvement fund.

Fiscal Year <u>Ending June 30,</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,170,000	\$ 2,550,200	\$ 6,720,200
2023	4,100,000	2,384,800	6,484,800
2024	4,020,000	2,222,400	6,242,400
2025	3,945,000	2,063,100	6,008,100
2026	3,870,000	1,906,800	5,776,800
2027 - 2031	17,995,000	7,310,300	25,305,300
2032 - 2036	15,430,000	3,959,600	19,389,600
2037 - 2041	<u>12,310,000</u>	<u>1,176,200</u>	<u>13,486,200</u>
Total	<u>\$ 65,840,000</u>	<u>\$ 23,573,400</u>	<u>\$ 89,413,400</u>

At June 30, 2021, the District had \$65,500,795 in unspent proceeds of the certificates of participation.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$40,887,880 and an unvoted debt margin of \$454,310.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted for the following insurance coverage.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Coverage provided by the Ohio School Plan is as follows:

General Liability	\$5,000,000
General Aggregate Limit	\$7,000,000
Blanket Property (\$1,000 deductible)	\$38,820,416
Vehicle Liability	\$5,000,000
Uninsured/Underinsured Motorists	\$1,000,000

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

For fiscal year 2021, the District participated in the Ohio School Plan (“the Plan”), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**B. Fidelity Bond**

The Board President and Superintendent hold position bonds and the Treasurer/CFO holds a Treasurer bond through OSBA with limits of \$20,000, \$20,000 and \$100,000, respectively. All other school employees are covered under the District’s employee dishonesty coverage with a \$100,000 limit, with a \$1,000 deductible, which is separate from the property policy.

**C. Workers’ Compensation**

The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. For fiscal year 2021, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**D. Employee Health Insurance**

Medical/surgical, prescription, vision and dental insurance is offered to employees through a self-insurance program. The District has established a self-insurance internal service fund to account for this activity. The District is a member of the Jefferson Health Plan (formerly known as OME-RESA Health Benefits Program), a partially self-insured consortium of public employers in Ohio. The consortium has over 100 member organizations participating. Monthly accruals are paid to a custodian bank, U.S. Bank, acting as trustee on behalf of the fiscal agent. The trustees disburse payments to vendors for services rendered and to satisfy claim reimbursements for covered plan participants. The Jefferson County ESC acts in the role of fiscal agent for the consortium.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - RISK MANAGEMENT - (Continued)**

The claims liability of \$147,818 reported in the internal service fund at June 30, 2021 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2021	\$ 133,893	\$ 1,399,044	\$ (1,385,119)	\$ 147,818
2020	278,895	1,122,858	(1,267,860)	133,893

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability/Asset***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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 contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$189,630 for fiscal year 2021. Of this amount, \$56,915 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers participate in STRS, 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 website at [www.strsoh.org](http://www.strsoh.org).

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. 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.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$657,206 for fiscal year 2021. Of this amount, \$116,400 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03445470%	0.03699264%	
Proportion of the net pension liability current measurement date	<u>0.03418900%</u>	<u>0.03615644%</u>	
Change in proportionate share	<u>-0.00026570%</u>	<u>-0.00083620%</u>	
Proportionate share of the net pension liability	\$ 2,261,332	\$ 8,748,572	\$ 11,009,904
Pension expense	\$ 255,441	\$ 1,079,442	\$ 1,334,883

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 4,393	\$ 19,631	\$ 24,024
Net difference between projected and actual earnings on pension plan investments	143,551	425,444	568,995
Changes of assumptions	-	469,631	469,631
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	6,185	140,999	147,184
Contributions subsequent to the measurement date	<u>189,630</u>	<u>657,206</u>	<u>846,836</u>
Total deferred outflows of resources	<u>\$ 343,759</u>	<u>\$ 1,712,911</u>	<u>\$ 2,056,670</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 55,941	\$ 55,941
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>5,666</u>	<u>286,511</u>	<u>292,177</u>
Total deferred inflows of resources	<u>\$ 5,666</u>	<u>\$ 342,452</u>	<u>\$ 348,118</u>

\$846,836 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ 2,466	\$ 200,422	\$ 202,888
2023	41,218	105,396	146,614
2024	59,834	250,911	310,745
2025	44,945	156,524	201,469
Total	\$ 148,463	\$ 713,253	\$ 861,716

***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:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2020, the 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 was 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.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	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
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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 earnings were calculated using the long-term assumed investment rate of return (7.50%). 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 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%, 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%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,097,749	\$ 2,261,332	\$ 1,559,563

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, 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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*\*10-Year 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (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 member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 12,456,443	\$ 8,748,572	\$ 5,606,460

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 13 for a description of the net OPEB liability (asset).

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

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

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$22,969.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$22,969 for fiscal year 2021. Of this amount, \$22,969 is reported as pension and postemployment benefits payable.

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

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

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% of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03533790%	0.03699264%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03556390%</u>	<u>0.03615644%</u>	
Change in proportionate share	<u>0.00022600%</u>	<u>-0.00083620%</u>	
Proportionate share of the net OPEB liability	\$ 772,920	\$ -	\$ 772,920
Proportionate share of the net OPEB asset	\$ -	\$ (635,449)	\$ (635,449)
OPEB expense	\$ 12,030	\$ (50,070)	\$ (38,040)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 10,151	\$ 40,718	\$ 50,869
Net difference between projected and actual earnings on OPEB plan investments	8,707	22,271	30,978
Changes of assumptions	131,756	10,489	142,245
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	12,489	6,540	19,029
Contributions subsequent to the measurement date	<u>22,969</u>	<u>-</u>	<u>22,969</u>
Total deferred outflows of resources	<u>\$ 186,072</u>	<u>\$ 80,018</u>	<u>\$ 266,090</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 393,084	\$ 126,573	\$ 519,657
Changes of assumptions	19,468	603,570	623,038
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>19,056</u>	<u>48,086</u>	<u>67,142</u>
Total deferred inflows of resources	<u>\$ 431,608</u>	<u>\$ 778,229</u>	<u>\$ 1,209,837</u>

\$22,969 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2022	\$ (55,582)	\$ (176,377)	\$ (231,959)
2023	(54,955)	(161,303)	(216,258)
2024	(55,056)	(156,016)	(211,072)
2025	(50,923)	(145,746)	(196,669)
2026	(38,079)	(27,873)	(65,952)
Thereafter	(13,910)	(30,896)	(44,806)
Total	\$ (268,505)	\$ (698,211)	\$ (966,716)

***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.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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.



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (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 Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	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
Total	<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 prior to 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 2.00% 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. A municipal bond rate of 3.13% was used as of June 30, 2019. 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 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%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 946,035	\$ 772,920

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 608,616	\$ 772,920

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% 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.

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.

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

**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 fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*\*10-Year 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' 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 asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes 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. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 552,882	\$ 635,449

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 701,155	\$ 635,449

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis);
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (10,565)
Net adjustment for revenue accruals	106,666
Net adjustment for expenditure accruals	(182,932)
Net adjustment for other sources/uses	146,927
Funds budgeted elsewhere*	4,276
Adjustment for encumbrances	305,720
GAAP basis	\$ 370,092

\*Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Foundation Funding**

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. ODE finalized the impact of the enrollment adjustments for the June 30, 2021 foundation funding period for the District noting an underpayment of \$75,926, which is paid through future foundation payments. This amount was immaterial to the financial statements and therefore no adjustment was made.

**C. Litigation**

The District is not involved in material litigation as either plaintiff or defendant at June 30, 2021.

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	148,191
Current year offsets	<u>(686,277)</u>
Total	<u>\$ (538,086)</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u><u>\$ -</u></u>

**NOTE 18 – COVID-19**

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

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 19 - SUBSEQUENT EVENT**

For fiscal year 2022, 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, 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 District were funded to the District who, in turn, made the payment to the educating school. For fiscal year 2021, the District reported \$280,046 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported \$570,407 in tuition and fees from the resident school districts which will be direct funded to the District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each District. The 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.

**NOTE 20 - OTHER COMMITMENTS**

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

<u>Funds</u>	<u>Year- End Encumbrances</u>
General fund	\$ 306,068
Permanent Improvement	125,054
Building	62,612,772
Capital Projects	1,229,207
Other governmental	264,621
Total	<u>\$ 64,537,722</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.03418900%	0.03445470%	0.03414520%	0.03522250%
District's proportionate share of the net pension liability	\$ 2,261,332	\$ 2,061,485	\$ 1,955,559	\$ 2,104,467
District's covered payroll	\$ 1,246,621	\$ 1,294,030	\$ 1,124,674	\$ 1,188,921
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.40%	159.31%	173.88%	177.01%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03553300%	0.03358790%	0.03389600%	0.03389600%
\$ 2,600,688	\$ 1,916,558	\$ 1,715,457	\$ 2,015,686
\$ 1,167,864	\$ 1,011,168	\$ 984,949	\$ 1,027,016
222.69%	189.54%	174.17%	196.27%
62.98%	69.16%	71.70%	65.52%

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.03615644%	0.03699264%	0.03563042%	0.03672179%
District's proportionate share of the net pension liability	\$ 8,748,572	\$ 8,180,700	\$ 7,834,329	\$ 8,723,341
District's covered payroll	\$ 4,425,029	\$ 4,321,593	\$ 4,096,350	\$ 4,023,371
District's proportionate share of the net pension liability as a percentage of its covered payroll	197.71%	189.30%	191.25%	216.82%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.03763765%	0.03656234%	0.03741951%	0.03741951%
\$ 12,598,459	\$ 10,104,761	\$ 9,101,722	\$ 10,841,909
\$ 4,001,721	\$ 3,861,236	\$ 3,823,246	\$ 4,620,162
314.83%	261.70%	238.06%	234.67%
66.80%	72.10%	74.70%	69.30%

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 189,630	\$ 174,527	\$ 174,694	\$ 151,831
Contributions in relation to the contractually required contribution	<u>(189,630)</u>	<u>(174,527)</u>	<u>(174,694)</u>	<u>(151,831)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,354,500	\$ 1,246,621	\$ 1,294,030	\$ 1,124,674
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 166,449	\$ 163,501	\$ 133,272	\$ 136,514	\$ 142,139	\$ 145,802
<u>(166,449)</u>	<u>(163,501)</u>	<u>(133,272)</u>	<u>(136,514)</u>	<u>(142,139)</u>	<u>(145,802)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,188,921	\$ 1,167,864	\$ 1,011,168	\$ 984,949	\$ 1,027,016	\$ 1,084,030
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 657,206	\$ 619,504	\$ 605,023	\$ 573,489
Contributions in relation to the contractually required contribution	<u>(657,206)</u>	<u>(619,504)</u>	<u>(605,023)</u>	<u>(573,489)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,694,329	\$ 4,425,029	\$ 4,321,593	\$ 4,096,350
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 563,272	\$ 560,241	\$ 540,573	\$ 497,022	\$ 600,621	\$ 634,564
<u>(563,272)</u>	<u>(560,241)</u>	<u>(540,573)</u>	<u>(497,022)</u>	<u>(600,621)</u>	<u>(634,564)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,023,371	\$ 4,001,721	\$ 3,861,236	\$ 3,823,246	\$ 4,620,162	\$ 4,881,262
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03556390%	0.03533790%	0.03476130%	0.03564330%	0.03583869%
District's proportionate share of the net OPEB liability	\$ 772,920	\$ 888,674	\$ 964,372	\$ 956,573	\$ 1,021,535
District's covered payroll	\$ 1,246,621	\$ 1,294,030	\$ 1,124,674	\$ 1,188,921	\$ 1,167,864
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	62.00%	68.67%	85.75%	80.46%	87.47%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST FIVE FISCAL YEARS				
	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability/asset	0.03615644%	0.03699264%	0.03563042%	0.03672179%	0.03763765%
District's proportionate share of the net OPEB liability/(asset)	\$ (635,449)	\$ (612,687)	\$ (572,544)	\$ 1,432,749	\$ 2,012,871
District's covered payroll	\$ 4,425,029	\$ 4,321,593	\$ 4,096,350	\$ 4,023,371	\$ 4,001,721
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.36%	14.18%	13.98%	35.61%	50.30%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 22,969	\$ 23,254	\$ 28,173	\$ 24,940
Contributions in relation to the contractually required contribution	<u>(22,969)</u>	<u>(23,254)</u>	<u>(28,173)</u>	<u>(24,940)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,354,500	\$ 1,246,621	\$ 1,294,030	\$ 1,124,674
Contributions as a percentage of covered payroll	1.70%	1.87%	2.18%	2.22%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 86,816	\$ 17,405	\$ 23,510	\$ 17,971	\$ 21,020	\$ 24,676
<u>(86,816)</u>	<u>(17,405)</u>	<u>(23,510)</u>	<u>(17,971)</u>	<u>(21,020)</u>	<u>(24,676)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,188,921	\$ 1,167,864	\$ 1,011,168	\$ 984,949	\$ 1,027,016	\$ 1,084,030
7.30%	1.49%	2.33%	1.82%	2.05%	2.28%

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,694,329	\$ 4,425,029	\$ 4,321,593	\$ 4,096,350
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 40,625	\$ 46,202	\$ 48,813
-	-	-	(40,625)	(46,202)	(48,813)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,023,371	\$ 4,001,721	\$ 3,861,236	\$ 3,823,246	\$ 4,620,162	\$ 4,881,262
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PENSION

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) 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, (f) 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, (g) 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 (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2021.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) 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, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

(Continued)

HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% 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. For fiscal year 2021, 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) 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) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

**THIS PAGE INTENTIONALLY LEFT BLANK**



**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 23,249
Cash Assistance:		
School Breakfast Program	10.553	68,058
COVID-19 - School Breakfast Program		63,822
National School Lunch Program	10.555	220,631
COVID-19 - National School Lunch Program		105,188
Total Child Nutrition Cluster		480,948
Total U.S. Department of Agriculture		480,948
 <b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 - Education Stabilization Fund	84.425D	396,627
Special Education Cluster:		
Special Education - Grants to States	84.027A	182,234
Special Education - Preschool Grants	84.173A	11,347
Total Special Education Cluster		193,581
Title I Grants to Local Educational Agencies	84.010A	160,799
Improving Teacher Quality State Grants	84.367A	19,424
Student Support and Academic Enrichment Program	84.424A	14,009
Total U.S. Department of Education		<b>784,440</b>
 <b>U.S. DEPARTMENT OF TREASURY</b>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 - Coronavirus Relief Fund	21.019	67,836
<b>Total Expenditures of Federal Awards</b>		<b>\$1,333,224</b>

*The accompanying notes are an integral part of this schedule.*

HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND 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 Hillsdale Local School District (the District) 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Hillsdale Local School District  
Ashland County  
485 Township Road 1902  
Jeromesville, Ohio 44840

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 Hillsdale Local School District, Ashland County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 6, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

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

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 6, 2022

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Hillsdale Local School District  
Ashland County  
485 Township Road 1902  
Jeromesville, Ohio 44840

To the Board of Education:

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

We have audited Hillsdale Local School District's (the 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 Hillsdale Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 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 District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Programs***

In our opinion, Hillsdale Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2021.

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

The 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 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 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 6, 2022

**HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND 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>	No
<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>	Unmodified
<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>	Education Stabilization Fund - AL #84.425 Child Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

HILLSDALE LOCAL SCHOOL DISTRICT  
ASHLAND COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)

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

**FINDING NUMBER 2021-001**

**Material Weakness – Financial Reporting**

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.

The District does not have sufficient internal controls in place to help ensure budgeted amounts are properly reported on the financial statements. As a result, the District improperly reported General Fund final budgeted revenues for fiscal year 2021 using amounts from the fiscal year 2022 Amended Certificate of Estimated Resources, and final budgeted revenues were understated by \$4,726,743. The District has adjusted the financial statements to correct this understatement.

Also during fiscal year 2021, the District did not book the Retainage Payable for the PK-12 Building Project in the amount of \$430,156. This resulted in an understatement of Facilities Acquisition and Construction expenditure and Retainage Payable in the amount of \$430,156 on the fund financial statements, as well as an understatement of Capital Asset Construction in Progress and Retainage Payable for the same amount on the government wide statements. The District has adjusted the financial statements to correct this understatement.

By not ensuring proper financial statement presentation, the District cannot report accurate financial activity to its constituents.

We recommend the District implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

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

**3. FINDINGS FOR FEDERAL AWARDS**

None.





# HILLSDALE SCHOOLS

485 TWP. RD. 1902 • JEROMESVILLE, OHIO 44840  
 Ph: 419-368-8231 • Fax: 419 368-7504

**Hillsdale High School**  
 485 Twp. Rd. 1902  
 Jeromesville, Ohio 44840  
 Ph: 419-368-6841  
 Fax: 419-368-7504

**Hillsdale Middle School**  
 Box 57, 144 N. High Street  
 Jeromesville, Ohio 44840  
 Ph: 419-368-4911  
 Fax: 419-368-3613

**Hillsdale Elementary School**  
 West Main Street  
 Hayesville, Ohio 44838  
 Ph: 419-368-4364  
 Fax: 419-368-3701

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 2 CFR 200.511(b)  
 JUNE 30, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Material Weakness - Financial Reporting	Not Corrected	Repeated as Finding 2021-001, see corrective action plan.
2020-002	Material Non-Compliance / Significant Deficiency – Expenditures Exceed Appropriations	Partially Corrected	See Management Letter for comment

**THIS PAGE INTENTIONALLY LEFT BLANK**



# HILLSDALE SCHOOLS

485 TWP. RD. 1902 • JEROMESVILLE, OHIO 44840  
Ph: 419-368-8231 • Fax: 419 368-7504

**Hillsdale High School**  
485 Twp. Rd. 1902  
Jeromesville, Ohio 44840  
Ph: 419-368-6841  
Fax: 419-368-7504

**Hillsdale Middle School**  
Box 57, 144 N. High Street  
Jeromesville, Ohio 44840  
Ph: 419-368-4911  
Fax: 419-368-3613

**Hillsdale Elementary School**  
West Main Street  
Hayesville, Ohio 44838  
Ph: 419-368-4364  
Fax: 419-368-3701

## **CORRECTIVE ACTION PLAN** **2 CFR § 200.511(c)** **JUNE 30, 2021**

<b>Finding Number:</b>	2021-001
<b>Planned Corrective Action:</b>	Future financial reports will be checked to ensure material errors do not occur. Procedures will include specifically reviewing the budgetary statement in the financial statements to ensure that the proper certificate of estimated resources are being used to compile the budgetary statement. By doing this errors in the report should be corrected before the final report is submitted.
<b>Anticipated Completion Date:</b>	April 26, 2022
<b>Responsible Contact Person:</b>	Rick Blahnik, Treasurer

**THIS PAGE INTENTIONALLY LEFT BLANK**

# OHIO AUDITOR OF STATE KEITH FABER



**HILLSDALE LOCAL SCHOOL DISTRICT**

**ASHLAND 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 5/24/2022**

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)