



OHIO AUDITOR OF STATE  
**KEITH FABER**





HILLSBORO CITY SCHOOL DISTRICT  
HIGHLAND COUNTY  
JUNE 30, 2021

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HILLSBORO CITY SCHOOL DISTRICT  
HIGHLAND COUNTY  
JUNE 30, 2021

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio (the District), as of and for the year ended June 30, 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 District, as of June 30, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 June 3, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio  
June 3, 2022

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**Hillsboro City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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The discussion and analysis of Hillsboro City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

- The School District's Net Position decreased \$3,050,010 mainly due to changes in assumptions and benefits associated with the Statewide pension system.
- Instruction expenses increased due to step increases and a three percent raise during the fiscal year.
- In fiscal year 2021, the School District completed the Auditorium project.

### **Using the Basic Financial Statements**

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

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

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

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page ten. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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

### **The School District as a Whole**

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

**Hillsboro City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

Table 1 provides a summary of the School District's net position for fiscal years 2021 and 2020:

(Table 1)  
Net Position  
Governmental Activities

	2021	(Restated) 2020	Change in Net Position
<b>Assets:</b>			
Current and Other Assets	\$27,919,343	\$28,960,972	(\$1,041,629)
Net OPEB Asset	1,777,359	1,660,987	116,372
Capital Assets, Net	55,368,175	52,609,527	2,758,648
Total Assets	<u>85,064,877</u>	<u>83,231,486</u>	<u>1,833,391</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	137,343	156,199	(18,856)
Pension	5,813,784	5,849,153	(35,369)
OPEB	856,239	626,156	230,083
Total Deferred Outflows of Resources	<u>6,807,366</u>	<u>6,631,508</u>	<u>175,858</u>
<b>Liabilities:</b>			
Other Liabilities	3,133,506	3,104,480	29,026
Long-Term Liabilities			
Due Within One Year	1,551,886	1,480,337	71,549
Due In More Than One Year:			
Net Pension Liability	32,315,590	29,115,604	3,199,986
Net OPEB Liability	2,561,873	2,945,418	(383,545)
Other Amounts	10,538,872	11,928,630	(1,389,758)
Total Liabilities	<u>50,101,727</u>	<u>48,574,469</u>	<u>1,527,258</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	10,490,410	6,220,427	4,269,983
Pension	398,422	1,696,362	(1,297,940)
OPEB	3,594,186	3,034,228	559,958
Total Deferred Inflows of Resources	<u>14,483,018</u>	<u>10,951,017</u>	<u>3,532,001</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	44,745,697	38,775,808	5,969,889
Restricted	7,424,262	11,720,680	(4,296,418)
Unrestricted (Deficit)	(24,882,461)	(20,158,980)	(4,723,481)
Total Net Position	<u>\$27,287,498</u>	<u>\$30,337,508</u>	<u>(\$3,050,010)</u>

**Hillsboro City School District**  
*Management's Discussion and Analysis*  
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current and other assets decreased \$1,041,629 due to a decrease in cash and cash equivalents. This is related to an increase in expenditures related to the auditorium project and a three percent salary raise for employees during the fiscal year.

Total liabilities increased \$1,527,258 due to an increase in net pension liability. Net pension liability increased due to changes in deferred inflows/outflows reported by Ohio Public Retirement Systems.

Total net position decreased \$3,050,010. Net investment in capital assets increased \$5,969,889 due to the completion of the auditorium project in fiscal year 2021. Restricted net position decreased \$4,296,418 due to an increase in expenses during the fiscal year related to the auditorium project. During fiscal year 2020, the School District received \$5 million for the auditorium project, but only spent a portion of the funds during the prior fiscal year. The School District completed the project during fiscal year 2021, thus decreasing Restricted Net Position. Unrestricted net position decreased \$4,723,481 mainly due to changes in assumptions and benefits associated with the Statewide pension systems.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2021 and 2020.

**Hillsboro City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**  
**Unaudited**

(Table 2)  
Changes in Net Position  
Governmental Activities

	2021	(Restated) 2020	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services and Sales	\$1,948,755	\$2,356,782	(\$408,027)
Operating Grants, Contributions and Interest	7,452,620	6,012,721	1,439,899
Total Program Revenues	<u>9,401,375</u>	<u>8,369,503</u>	<u>1,031,872</u>
General Revenues:			
Property Taxes	7,633,199	7,404,430	228,769
Income Taxes	3,339,152	2,983,555	355,597
Grants and Entitlements not Restricted to Specific Programs	14,456,246	14,584,675	(128,429)
Interest	53,226	231,079	(177,853)
Miscellaneous	487,214	161,561	325,653
Total General Revenues	<u>25,969,037</u>	<u>25,365,300</u>	<u>603,737</u>
Total Revenues	<u>35,370,412</u>	<u>33,734,803</u>	<u>1,635,609</u>
<b>Program Expenses:</b>			
Instruction	24,389,433	22,535,928	1,853,505
Support Services:			
Pupils and Instructional Staff	2,907,201	2,650,749	256,452
Board of Education, Administration, Fiscal and Business	3,134,746	3,070,407	64,339
Operations and Maintenance of Plant	2,577,136	2,583,715	(6,579)
Pupil Transportation	2,130,201	1,977,239	152,962
Central	141,834	98,627	43,207
Operation of Non-Instructional Services	1,877,127	1,634,717	242,410
Extracurricular Activities	941,034	758,254	182,780
Interest and Fiscal Charges	321,710	335,227	(13,517)
Total Expenses	<u>38,420,422</u>	<u>35,644,863</u>	<u>2,775,559</u>
Change in Net Position	<u>(3,050,010)</u>	<u>(1,910,060)</u>	<u>(1,139,950)</u>
Restatement	0	105,338	(105,338)
Net Position at Beginning of Year	30,337,508	32,142,230	(1,804,722)
Net Position at End of Year	<u>\$27,287,498</u>	<u>\$30,337,508</u>	<u>(\$3,050,010)</u>

**Governmental Activities**

Program revenues, which are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues, were \$9,401,375 of total revenues for fiscal year 2021. The increase in program revenues was \$1,031,872 from the prior fiscal year. Operating grants increased primarily due to an increase in receiving COVID-19 grant monies during fiscal year 2021.

General Revenue increased \$603,737 mainly due to an increase in property and income tax revenues. Property tax increased due to a tax rate increase during the fiscal year. Income tax increased mainly due to an increase in collections during the fiscal year.

**Hillsboro City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
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Instruction comprises \$24,389,433 of governmental activities program expenses. Support service expenses make up \$10,891,118 of governmental activities expenses. Overall, expenses increased \$2,775,559, primarily due to an increase of \$1,853,505 in instruction expenses. The School District gave a three percent cost of living raise as well as step increases during the fiscal year.

### **The School District's Funds**

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$35,849,250 and expenditures of \$40,714,125. The net change in fund balance for the General Fund decreased \$468,918 mostly due to step increases and a three percent raise during the fiscal year.

The Permanent Improvement Fund saw a decrease of \$5,039,146 mainly due to an increase in expenses in fiscal year 2021 related to the auditorium project.

### **General Fund - Budget Highlights**

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

During the course of fiscal year 2021, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenue was \$26,985,846 with a final budget estimate of \$27,986,489. The increase of \$1,000,643 was primarily due to an increase in property tax revenue.

Original budget basis appropriations were \$27,498,406 with final budget basis appropriations of \$29,125,185. The variance of \$1,626,779 was mainly due to an increases in regular instruction offset by a decrease in support services pupils. Actual expenditures were lower than final budget estimates mostly due to the School District closely monitoring expenditures.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2021, the School District had \$55,368,175 invested in capital assets (net of accumulated depreciation), an increase of \$2,758,648. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and

**Hillsboro City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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equipment, vehicles and textbooks. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

***Debt***

At June 30, 2021, the School District had \$5,740,000 in bonds outstanding, \$660,000 of which are due within one year.

For more information about debt, refer to note 16 to the basic financial statements.

**Contacting the School District's Financial Management**

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

## **Basic Financial Statements**



**Hillsboro City School District**

Statement of Net Position

June 30, 2021

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$13,989,770
Inventory Held for Resale	30,610
Materials and Supplies Inventory	7,316
Accrued Interest Receivable	10,462
Intergovernmental Receivable	763,741
Prepaid Items	24,103
Property Taxes Receivable	11,744,198
Income Taxes Receivable	1,349,143
Net OPEB Asset	1,777,359
Capital Assets:	
Land and Construction in Progress	830,736
Depreciable Capital Assets, Net	54,537,439
<i>Total Assets</i>	85,064,877
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding	137,343
Pension	5,813,784
OPEB	856,239
<i>Total Deferred Outflows of Resources</i>	6,807,366
<b><u>Liabilities:</u></b>	
Accounts Payable	98,658
Accrued Wages and Benefits Payable	2,583,164
Intergovernmental Payable	352,524
Payroll Withholdings Payable	7,506
Accrued Interest Payable	15,971
Matured Compensated Absences Payable	75,683
Long-Term Liabilities:	
Due Within One Year	1,551,886
Due In More Than One Year:	
Net Pension Liability	32,315,590
Net OPEB Liability	2,561,873
Other Amounts	10,538,872
<i>Total Liabilities</i>	50,101,727
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	10,490,410
Pension	398,422
OPEB	3,594,186
<i>Total Deferred Inflows of Resources</i>	14,483,018
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	44,745,697
Restricted for:	
Debt Service	777,761
Capital Projects	3,891,866
Food Service	616,227
Classroom Facilities	1,124,264
Extracurricular Activities	54,808
Student Managed Activities	101,472
Miscellaneous State and Federal Grants	852,599
Library Materials and Service:	
Expendable	265
Nonexpendable	5,000
Unrestricted (Deficit)	(24,882,461)
<i>Total Net Position</i>	\$27,287,498

See accompanying notes to the basic financial statements

**Hillsboro City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$17,414,468	\$1,297,391	\$235,795	(\$15,881,282)
Special	6,372,322	387,145	2,746,525	(3,238,652)
Vocational	601,646	48,003	125,097	(428,546)
Student Intervention Services	997	0	0	(997)
Support Services:				
Pupils	1,796,430	0	1,481,091	(315,339)
Instructional Staff	1,110,771	0	353,291	(757,480)
Board of Education	30,516	0	0	(30,516)
Administration	2,326,899	0	196,035	(2,130,864)
Fiscal	772,956	0	1,809	(771,147)
Business	4,375	0	0	(4,375)
Operation and Maintenance of Plant	2,577,136	0	50,292	(2,526,844)
Pupil Transportation	2,130,201	0	180,324	(1,949,877)
Central	141,834	0	9,000	(132,834)
Operation of Non-Instructional Services	1,877,127	104,915	2,046,535	274,323
Extracurricular Activities	941,034	111,301	26,826	(802,907)
Interest and Fiscal Charges	321,710	0	0	(321,710)
<b>Total Governmental Activities</b>	<b>\$38,420,422</b>	<b>\$1,948,755</b>	<b>\$7,452,620</b>	<b>(29,019,047)</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	6,523,530
Debt Service	665,099
Capital Outlay	317,483
Facility Maintenance	127,087
Income Taxes	3,339,152
Grants and Entitlements not Restricted to Specific Programs	14,456,246
Investment Earnings	53,226
Miscellaneous	487,214
<b>Total General Revenues</b>	<b>25,969,037</b>
<b>Change in Net Position</b>	<b>(3,050,010)</b>
<b>Net Position at Beginning of Year Restated (See Note 3)</b>	<b>30,337,508</b>
<b>Net Position at End of Year</b>	<b>\$27,287,498</b>

See accompanying notes to the basic financial statements

**Hillsboro City School District**

Balance Sheet  
Governmental Funds  
June 30, 2021

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$6,070,715	\$3,871,041	\$3,241,515	\$13,183,271
Receivables:				
Property Taxes	10,468,732	370,301	905,165	11,744,198
Income Taxes	1,349,143	0	0	1,349,143
Intergovernmental	25,412	0	738,329	763,741
Accrued Interest	5,962	3,453	1,047	10,462
Interfund	137,825	0	0	137,825
Prepaid Items	20,959	0	3,144	24,103
Materials and Supplies Inventory	0	0	7,316	7,316
Inventory Held for Resale	0	0	30,610	30,610
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	806,499	0	0	806,499
<i>Total Assets</i>	<u>\$18,885,247</u>	<u>\$4,244,795</u>	<u>\$4,927,126</u>	<u>\$28,057,168</u>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$20,196	\$35,683	\$42,779	\$98,658
Accrued Wages and Benefits Payable	2,197,078	0	386,086	2,583,164
Intergovernmental Payable	305,637	0	46,887	352,524
Payroll Withholdings Payable	7,506	0	0	7,506
Interfund Payable	0	0	137,825	137,825
Matured Compensated Absences Payable	75,683	0	0	75,683
<i>Total Liabilities</i>	<u>2,606,100</u>	<u>35,683</u>	<u>613,577</u>	<u>3,255,360</u>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	9,405,456	317,246	767,708	10,490,410
Unavailable Revenue	924,126	36,732	342,051	1,302,909
<i>Total Deferred Inflows of Resources</i>	<u>10,329,582</u>	<u>353,978</u>	<u>1,109,759</u>	<u>11,793,319</u>
<b><u>Fund Balances:</u></b>				
Nonspendable	20,959	0	15,460	36,419
Restricted	730,547	3,855,134	3,200,823	7,786,504
Committed	244,270	0	0	244,270
Assigned	3,409,785	0	0	3,409,785
Unassigned (Deficit)	1,544,004	0	(12,493)	1,531,511
<i>Total Fund Balances</i>	<u>5,949,565</u>	<u>3,855,134</u>	<u>3,203,790</u>	<u>13,008,489</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$18,885,247</u>	<u>\$4,244,795</u>	<u>\$4,927,126</u>	<u>\$28,057,168</u>

See accompanying notes to the basic financial statements

**Hillsboro City School District**  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2021

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**Total Governmental Fund Balances** \$13,008,489

*Amounts reported for governmental activities in the  
Statement of Net Position is different because:*

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. 55,368,175

Some of the School District's revenues will be collected after fiscal year-end,  
but are not available soon enough to pay for the current period's expenditures  
and therefore are deferred in the funds.

Delinquent property taxes	830,568
Income taxes	216,981
Intergovernmental	250,570
Investment earnings	4,790
	1,302,909

Total 1,302,909

The net pension liability and net OPEB liability (asset) are not due and payable in the  
current period; therefore, the liabilities (asset) and related deferred inflows/outflows  
are not reported in governmental funds.

Net OPEB Asset	1,777,359
Deferred Outflows - Pension	5,813,784
Deferred Outflows - OPEB	856,239
Net Pension Liability	(32,315,590)
Net OPEB Liability	(2,561,873)
Deferred Inflows - Pension	(398,422)
Deferred Inflows - OPEB	(3,594,186)
	(30,422,689)

Total (30,422,689)

Deferred outflows of resources include deferred charges on refunding which do  
not provide current financial resources and, therefore are not reported in the funds. 137,343

In the Statement of Activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported when due. (15,971)

Some liabilities are not due and payable in the current period, and therefore, are  
not reported in the funds. Those liabilities consist of:

General Obligation Bonds payable	(5,740,000)
Premium on debt issuance	(217,821)
Capital leases	(4,802,000)
Compensated absences	(1,330,937)
	(12,090,758)

Total liabilities (12,090,758)

**Net Position of Governmental Activities** \$27,287,498

See accompanying notes to the basic financial statements

**Hillsboro City School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$6,632,275	\$322,954	\$788,060	\$7,743,289
Income Taxes	3,370,164	0	0	3,370,164
Intergovernmental	15,884,084	20,025	6,296,162	22,200,271
Investment Earnings	52,946	24,414	2,732	80,092
Tuition and Fees	1,694,038	0	0	1,694,038
Extracurricular Activities	26,101	0	85,200	111,301
Customer Sales and Service	38,501	0	104,915	143,416
Contributions and Donations	346	0	19,119	19,465
Miscellaneous	359,926	850	126,438	487,214
<i>Total Revenues</i>	<u>28,058,381</u>	<u>368,243</u>	<u>7,422,626</u>	<u>35,849,250</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	14,309,964	0	406,133	14,716,097
Special	4,398,120	0	1,512,636	5,910,756
Vocational	541,422	0	0	541,422
Student Intervention Services	0	0	997	997
Support Services:				
Pupils	844,012	0	858,912	1,702,924
Instructional Staff	706,163	0	340,179	1,046,342
Board of Education	30,516	0	0	30,516
Administration	1,872,322	0	201,892	2,074,214
Fiscal	719,208	11,312	29,058	759,578
Business	4,375	0	0	4,375
Operation and Maintenance of Plant	2,020,713	58,182	224,336	2,303,231
Pupil Transportation	1,835,174	139,045	77,806	2,052,025
Central	97,410	0	40,500	137,910
Operation of Non-Instructional Services	41,524	0	1,789,540	1,831,064
Extracurricular Activities	507,576	48,183	223,444	779,203
Capital Outlay	0	5,150,667	0	5,150,667
Debt Service:				
Principal Retirement	0	0	1,097,000	1,097,000
Interest and Fiscal Charges	0	0	315,804	315,804
Capital Appreciation Bond Accretion	0	0	260,000	260,000
<i>Total Expenditures</i>	<u>27,928,499</u>	<u>5,407,389</u>	<u>7,378,237</u>	<u>40,714,125</u>
Excess of Revenues Over (Under) Expenditures	<u>129,882</u>	<u>(5,039,146)</u>	<u>44,389</u>	<u>(4,864,875)</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	1,200	0	0	1,200
Transfers In	0	0	600,000	600,000
Transfers Out	(600,000)	0	0	(600,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(598,800)</u>	<u>0</u>	<u>600,000</u>	<u>1,200</u>
<i>Net Change in Fund Balances</i>	<u>(468,918)</u>	<u>(5,039,146)</u>	<u>644,389</u>	<u>(4,863,675)</u>
<i>Fund Balances at Beginning of Year</i> <i>Restated (See Note 3)</i>	<u>6,418,483</u>	<u>8,894,280</u>	<u>2,559,401</u>	<u>17,872,164</u>
<i>Fund Balances at End of Year</i>	<u>\$5,949,565</u>	<u>\$3,855,134</u>	<u>\$3,203,790</u>	<u>\$13,008,489</u>

See accompanying notes to the basic financial statements

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

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**Net Change in Fund Balances - Total Governmental Funds** (\$4,863,675)

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	653,153	
Construction in progress additions	4,896,734	
Depreciation expense	<u>(2,789,099)</u>	
Excess of capital outlay expense over depreciation		2,760,788

The proceeds from the sale of capital assets are reported as receipts in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the statement of net position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Proceeds from sale of capital assets	(1,200)	
Loss on disposal of capital assets	<u>(940)</u>	
Total		(2,140)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(110,090)	
Income taxes	(31,012)	
Intergovernmental	(333,001)	
Investment earnings	<u>(4,735)</u>	
Total		(478,838)

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

Pension	2,278,520	
OPEB	<u>65,621</u>	
Total		2,344,141

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

Pension	(4,215,935)	
OPEB	<u>104,421</u>	
Total		(4,111,514)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond payments	395,000	
Accretion on Capital Accretion Bonds	260,000	
Capital lease payments	<u>702,000</u>	
Total		1,357,000

Amortization of bond premiums, deferred charges on the refunding of debt, accretion on bonds, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest payable	1,875	
Amortization of bond premium	29,996	
Amortization of deferred charge on refunding	(18,856)	
Accretion on capital appreciation bonds	<u>(18,921)</u>	
Total		(5,906)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	<u>(49,866)</u>
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**Change in Net Position of Governmental Activities** (\$3,050,010)

See accompanying notes to the basic financial statements

**Hillsboro City School District**  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$9,668,771	\$10,365,855	\$6,510,546	(\$3,855,309)
Income Taxes	2,635,771	3,095,308	3,095,308	0
Intergovernmental	12,839,815	12,342,062	15,838,974	3,496,912
Interest	126,536	65,000	62,283	(2,717)
Tuition and Fees	1,676,775	1,694,073	1,694,038	(35)
Extracurricular Activities	5,644	26,118	26,101	(17)
Customer Sales and Services	21,449	37,806	38,501	695
Rent	1,000	0	0	0
Gifts and Donations	1,209	346	346	0
Miscellaneous	8,876	359,921	359,921	0
<b>Total Revenues</b>	<b>26,985,846</b>	<b>27,986,489</b>	<b>27,626,018</b>	<b>(360,471)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	12,650,935	14,664,936	14,309,750	355,186
Special	4,053,640	4,413,836	4,300,532	113,304
Vocational	552,848	577,383	536,758	40,625
Support Services:				
Pupils	1,507,471	1,053,332	866,217	187,115
Instructional Staff	1,077,661	783,700	731,140	52,560
Board of Education	45,737	34,348	30,669	3,679
Administration	2,077,660	1,978,964	1,913,930	65,034
Fiscal	584,199	738,288	702,966	35,322
Business	0	4,375	4,375	0
Operation and Maintenance of Plant	2,461,130	2,219,940	2,126,745	93,195
Pupil Transportation	1,861,328	1,965,325	1,829,851	135,474
Central	114,195	111,272	99,888	11,384
Operation of Non-Instructional Services	6,464	52,011	51,399	612
Extracurricular Activities	505,138	527,475	504,872	22,603
<b>Total Expenditures</b>	<b>27,498,406</b>	<b>29,125,185</b>	<b>28,009,092</b>	<b>1,116,093</b>
Excess of Revenues Under Expenditures	(512,560)	(1,138,696)	(383,074)	755,622
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	0	1,200	1,200	0
Refund of Prior Year Expenditures	0	5	5	0
Transfers Out	(500,000)	(807,500)	(600,000)	207,500
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>(806,295)</b>	<b>(598,795)</b>	<b>207,500</b>
Net Change in Fund Balance	(1,012,560)	(1,944,991)	(981,869)	963,122
Fund Balance at Beginning of Year	7,573,016	7,573,016	7,573,016	2,020,842
Prior Year Encumbrances Appropriated	218,357	218,357	218,357	0
<b>Fund Balance at End of Year</b>	<b>\$6,778,813</b>	<b>\$5,846,382</b>	<b>\$6,809,504</b>	<b>\$2,983,964</b>

See accompanying notes to the basic financial statements

**Hillsboro City School District**  
Statement of Fiduciary Net Position  
Custodial Funds  
June 30, 2021

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	<u>Custodial</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$86,522
	<u><u>                    </u></u>
<b><u>Liabilities:</u></b>	
Accounts Payable	\$86,522
	<u><u>                    </u></u>

See accompanying notes to the basic financial statements



**Hillsboro City School District**  
Statement of Changes in Fiduciary Net Position  
Custodial Funds  
For the Fiscal Year Ended June 30, 2021

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	Custodial Fund
<b><u>Additions:</u></b>	
Contributions and Donations	\$1,500
Interest	420
	1,920
<i>Total Additions</i>	1,920
 <b><u>Deductions:</u></b>	
Non-Instructional Services	1,920
	0
<i>Change in Net Position</i>	0
<i>Net Position at Beginning of Year</i>	0
	0
<i>Net Position at End of Year</i>	\$0

See accompanying notes to the basic financial statements

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**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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

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

*Reporting Entity:*

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

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

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

The School District participates in one jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 20 and 21 to the basic financial statements. These organizations are:

Jointly Governed Organization:

Miami Valley Educational Computer Association

Insurance Purchasing Pool:

Ohio SchoolComp Group Retrospective Rating Program

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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

**Basis of Presentation**

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

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

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

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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**Fund Accounting**

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

*Governmental Funds*

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

*General Fund* - The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District 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 and report property tax revenues restricted for the acquiring, constructing, or improving of school facilities or other capital outlays with a useful life of five years or more.

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

*Fiduciary Funds:*

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

**Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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*Fund Financial Statements:*

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

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

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

**Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions:*

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Notes 7 and 8). Revenue from grants, entitlements and

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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

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

*Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 12 and 13.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension, OPEB plans, 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 on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 12 and 13).

*Expenses/Expenditures:*

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as

**Hillsboro City School District**  
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depreciation and amortization, are not recognized in the governmental funds.

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

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

**Cash and Cash Equivalents**

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

During fiscal year 2021, the School District’s investments were limited to commercial paper, money market mutual funds, and negotiable certificates of deposit. Investments, except for money market mutual funds and commercial paper, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price. The School District’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$52,946, which includes \$16,065 assigned from other School District funds.

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

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund include the amount required by State statute to be set aside to create a reserve for capital acquisitions and for budget stabilization.



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**Interfund Balances**

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

**Prepaid Items**

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

**Inventory**

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

**Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

All reported capital assets, except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 School District's past experience of making termination payments.

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

On governmental fund financial statements, compensated absences are recognized a liability and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid.

**Accrued Liabilities and Long-Term Obligations**

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

**Fund Balance**

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

*Nonspendable*

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

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*Restricted*

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

*Committed*

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

*Assigned*

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

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2022 appropriated budget.

*Unassigned*

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

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

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
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**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

**Internal Activity**

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

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

**Budgetary Process**

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

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

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

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

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

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

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows/inflows of resources on the Statement of Net Position.

**Estimates**

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCES**

**Change in Accounting Principles**

For fiscal year 2021, the School District implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

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Notes to the Basic Financial Statements  
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GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

**Restatement of Fund Balances and Net Position**

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

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances, June 30, 2020	\$6,418,483	\$8,894,280	\$2,454,063	\$17,766,826
Adjustments:				
GASB Statement No. 84	<u>0</u>	<u>0</u>	<u>105,338</u>	<u>105,338</u>
Restated Fund Balances, June 30, 2020	<u>\$6,418,483</u>	<u>\$8,894,280</u>	<u>\$2,559,401</u>	<u>\$17,872,164</u>

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

	<u>Governmental Activities</u>
Net Position, June 30, 2020	\$30,232,170
Adjustments:	
GASB 84	<u>105,338</u>
Restated Net Position, June 30, 2020	<u>\$30,337,508</u>

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

	<u>Private Purpose Trust</u>
Net Position, June 30, 2020	\$90,975
Adjustments:	
GASB 84	
Governmental funds	(873)
Custodial funds	<u>(90,102)</u>
Restated Net Position, June 30, 2020	<u>\$0</u>

At June 30, 2020, the School District's custodial funds reported assets and liabilities of \$104,465. Due to the implementation of GASB Statement No. 84, the new classification of custodial funds assets were offset by liabilities, resulting in no net position being presented.

**Hillsboro City School District**  
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**NOTE 4 - FUND BALANCES**

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

Fund Balances	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$20,959	\$0	\$3,144	\$24,103
Inventory	0	0	7,316	7,316
Library Materials	0	0	5,000	5,000
<b><i>Total Nonspendable</i></b>	<b>20,959</b>	<b>0</b>	<b>15,460</b>	<b>36,419</b>
<b><i>Restricted for</i></b>				
Debt Service	0	0	716,208	716,208
Capital Projects	0	3,855,134	0	3,855,134
Food Service Operations	0	0	608,033	608,033
Classroom Facilities	0	0	1,110,530	1,110,530
Extracurricular Activities	0	0	54,808	54,808
Student Managed Activity	0	0	101,472	101,472
Miscellaneous State and Federal Grants	0	0	609,555	609,555
Set Asides	730,547	0	0	730,547
Library Services	0	0	217	217
<b><i>Total Restricted</i></b>	<b>730,547</b>	<b>3,855,134</b>	<b>3,200,823</b>	<b>7,786,504</b>
<b><i>Committed to</i></b>				
Termination Benefits	244,270	0	0	244,270
<b><i>Assigned to</i></b>				
Purchases on Order	172,534	0	0	172,534
Future Appropriations	3,237,251	0	0	3,237,251
<b><i>Total Assigned</i></b>	<b>3,409,785</b>	<b>0</b>	<b>0</b>	<b>3,409,785</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,544,004</b>	<b>0</b>	<b>(12,493)</b>	<b>1,531,511</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,949,565</b>	<b>\$3,855,134</b>	<b>\$3,203,790</b>	<b>\$13,008,489</b>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

**Hillsboro City School District**  
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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Unrecorded cash represents amounts expended but not included as expenditures on the budget basis operating statements. These amounts are included as expenditures on the GAAP basis operating statements.

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

Net Change in Fund Balance	
GAAP Basis	(\$468,918)
Adjustments:	
Revenue Accruals	(438,656)
Expenditure Accruals	115,744
Encumbrances	(196,337)
Unrecorded Cash - Fiscal Year 2020	7,990
Unrecorded Cash - Fiscal Year 2021	(1,692)
Budget Basis	(\$981,869)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board 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.



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

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

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

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

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

Investments

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

Measurement/Investment	Measurement Amount	Maturity	Moody's Rating	Percent of Total Investment
Amortized Cost:				
Commercial Paper	\$2,264,832	Less than one year	A1	30.37%
Fair Value - Level One Inputs:				
Money Market Mutual Funds	1,754,993	Less than one year	AAA-mf	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	<u>3,437,885</u>	Less than five years	N/A	46.10%
Total Investments	<u>\$7,457,710</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2021. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

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

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Credit Risk

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

Concentration of Credit Risk

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

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien 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 currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that 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 - property taxes.

The amount available as an advance at June 30, 2021 was \$358,861 in the General Fund, \$17,904 in

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the Permanent Improvement Capital Projects Fund, and \$46,455 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2020 was \$237,132 in the General Fund, \$11,847 in the Permanent Improvement Capital Projects Fund, and \$25,305 in the Nonmajor Governmental Funds.

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

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

	2020 Second - Half Collections		2021 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$314,634,100	91.63%	\$319,431,350	91.48%
Public Utility Personal	28,737,590	8.37%	29,733,700	8.52%
Total Assessed Value	<u>\$343,371,690</u>	<u>100.00%</u>	<u>\$349,165,050</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.75		\$29.20	

**NOTE 8 - INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2021, consisted of property taxes, income taxes, intergovernmental grants, interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

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<u>Governmental Activities:</u>	<u>Amounts</u>
Food Service	\$84,285
SERS Overfunding	22,438
ESSER Grant	123,556
Idea VI-B Grant	5,583
Idea Restoration Grant	143,053
Title I-A Grant	274,957
Title II - A Grant	87,780
Striving Readers Grant	8,450
Student Support and Academic Enrichment Grant	3,124
Rural and Low Income Grant	7,541
State Foundation Adjustment	2,974
	<u>                    </u>
Total Intergovernmental Receivables	<u><u>\$763,741</u></u>

**NOTE 10 - CAPITAL ASSETS**

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

	<u>Balance at 6/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/21</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$596,784	\$233,952	\$0	\$830,736
Construction in Progress	3,660,582	4,896,734	(8,557,316)	0
Total Capital Assets Not Being Depreciated	<u>4,257,366</u>	<u>5,130,686</u>	<u>(8,557,316)</u>	<u>830,736</u>
Capital Assets Being Depreciated:				
Land Improvements	5,474,865	65,000	0	5,539,865
Buildings and Improvements	64,883,485	8,562,516	0	73,446,001
Furniture, Fixtures and Equipment	5,275,673	349,001	(29,738)	5,594,936
Vehicles	2,173,773	0	(277,892)	1,895,881
Textbooks	996,123	0	0	996,123
Totals Capital Assets Being Depreciated	<u>78,803,919</u>	<u>8,976,517</u>	<u>(307,630)</u>	<u>87,472,806</u>
Less Accumulated Depreciation:				
Land Improvements	(2,423,964)	(160,425)	0	(2,584,389)
Buildings and Improvements	(21,190,193)	(2,153,895)	0	(23,344,088)
Furniture, Fixtures and Equipment	(4,019,351)	(401,491)	27,598	(4,393,244)
Vehicles	(1,822,127)	(73,288)	277,892	(1,617,523)
Textbooks	(996,123)	0	0	(996,123)
Total Accumulated Depreciation	<u>(30,451,758)</u>	<u>(2,789,099) *</u>	<u>305,490</u>	<u>(32,935,367)</u>
Total Capital Assets Being Depreciated, Net	<u>48,352,161</u>	<u>6,187,418</u>	<u>(2,140)</u>	<u>54,537,439</u>
Governmental Activities Capital Assets, Net	<u><u>\$52,609,527</u></u>	<u><u>\$11,318,104</u></u>	<u><u>(\$8,559,456)</u></u>	<u><u>\$55,368,175</u></u>

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

**Hillsboro City School District**  
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Instruction:	
Regular	\$1,932,400
Special	81,907
Vocational	18,184
Support Services:	
Instructional Staff	44,266
Administration	109,852
Fiscal	1,935
Operation and Maintenance of Plant	307,378
Pupil Transportation	178,803
Operation of Non-Instructional Services - Food Service Operations	70,005
Extracurricular Activities	44,369
Total Depreciation Expense	<u><u>\$2,789,099</u></u>

**NOTE 11 - RISK MANAGEMENT**

**Property and Liability**

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

General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 for automobile liability. The School District also has umbrella liability coverage with a limit of \$10,000,000. There has been no significant change in coverage from the prior fiscal year. Settled claims have not exceeded coverage in any of the past three years.

In addition, the School District maintains replacement cost insurance on buildings and contents in the blanket amount of \$102,351,775. Other property insurance includes bond instruments, tools, and physical damage to the blanket limit. The School District pays all appointed officials' bonds by statute.

**Employee Medical Benefits**

Medical/surgical insurance is offered to employees through Ohio PPO Connect. Dental insurance is provided by Delta Dental and Vision coverage is provided through the Vision Service Plan.

The School District provides life insurance to employees through Standard Insurance Company.

**Workers' Compensation**

For fiscal year 2021, the School District participated in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool (See Note 21). The intent of the GRRP is to reward participants that are able to keep their claims costs below a predetermined amount. As part of the GRRP, school districts join together as a group. Each school district continues to pay

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
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its own individual premium to the State. However, each school district has the opportunity to receive retrospective premium adjustments (refunds or assessments) at 12, 24, and 36 months after the end of the policy year. At the end of each policy year, the Bureau of Workers' Compensation (BWC) will take a snap-shot of the incurred claims losses (indemnity, medical, and reserves) for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by BWC. Each group limits the maximum assessment by selecting a premium cap between five percent and 100 percent of merit rated premium. Participation in the GRRP is limited to school districts that can meet the GRRP's selection criteria. The firm of Sedwick Managed Care Ohio provides administrative, cost control, and actuarial services to the GRRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

**Net Pension Liability/Net OPEB Liability**

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If

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the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W,



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not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$563,930 for fiscal year 2021, none of which was reported as an intergovernmental payable.

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

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

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

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

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit

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unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,714,590 for fiscal year 2021. Of this amount, \$232,742 is reported as an intergovernmental payable.

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

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.11595550%	0.10028661%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.11861900%</u>	<u>0.10113008%</u>	
Change in Proportionate Share	<u>0.00266350%</u>	<u>0.00084347%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,845,710	\$24,469,880	\$32,315,590
Pension Expense	\$973,136	\$3,242,799	\$4,215,935

At June 30, 2021, the School 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	\$15,240	\$54,905	\$70,145
Changes of assumptions	0	1,313,560	1,313,560
Net difference between projected and actual earnings on pension plan investments	498,043	1,189,973	1,688,016
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	103,345	360,198	463,543
School District contributions subsequent to the measurement date	<u>563,930</u>	<u>1,714,590</u>	<u>2,278,520</u>
Total Deferred Outflows of Resources	<u>\$1,180,558</u>	<u>\$4,633,226</u>	<u>\$5,813,784</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$0	\$156,469	\$156,469
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>241,953</u>	<u>241,953</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$398,422</u>	<u>\$398,422</u>

\$2,278,520 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$67,168	\$885,893	\$953,061
2023	185,935	327,087	513,022
2024	207,595	736,538	944,133
2025	155,930	570,696	726,626
Total	\$616,628	\$2,520,214	\$3,136,842

**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:

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

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

**Hillsboro City School District**  
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The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$10,747,665	\$7,845,710	\$5,410,915

**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:

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

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$34,840,850	\$24,469,880	\$15,681,348

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security

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or the School Employees Retirement System. As of June 30, 2021, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 – DEFINED BENEFIT OPEB PLANS**

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$65,621.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required



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contribution to SERS was \$65,621 for fiscal year 2021, all of which is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.11712390%	0.10028661%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.11787790%	0.10113008%	
Change in Proportionate Share	0.00075400%	0.00084347%	
Proportionate Share of the			
Net OPEB (Asset)	\$0	(\$1,777,359)	(\$1,777,359)
Net OPEB Liability	\$2,561,873	\$0	\$2,561,873
OPEB Expense	(\$1,938)	(\$102,483)	(\$104,421)

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$33,648	\$113,885	\$147,533
Changes of assumptions	436,710	29,339	466,049
Net difference between projected and actual earnings on pension plan investments	28,867	62,289	91,156
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	21,395	64,485	85,880
School District contributions subsequent to the measurement date	<u>65,621</u>	<u>0</u>	<u>65,621</u>
Total Deferred Outflows of Resources	<u>\$586,241</u>	<u>\$269,998</u>	<u>\$856,239</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$1,302,891	\$354,024	\$1,656,915
Changes of assumptions	64,527	1,688,193	1,752,720
Changes in Proportionate share and Difference between School District contributions and proportionate share of contributions	<u>113,085</u>	<u>71,466</u>	<u>184,551</u>
Total Deferred Inflows of Resources	<u>\$1,480,503</u>	<u>\$2,113,683</u>	<u>\$3,594,186</u>

\$65,621 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	(\$201,166)	(\$455,770)	(\$656,936)
2023	(199,077)	(413,608)	(612,685)
2024	(199,417)	(398,815)	(598,232)
2025	(180,204)	(409,622)	(589,826)
2026	(131,941)	(80,177)	(212,118)
Thereafter	<u>(48,078)</u>	<u>(85,693)</u>	<u>(133,771)</u>
Total	<u>(\$959,883)</u>	<u>(\$1,843,685)</u>	<u>(\$2,803,568)</u>

**Actuarial Assumptions - SERS**

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

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to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). 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.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$3,135,668	\$2,561,873	\$2,105,706

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	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,017,280	\$2,561,873	\$3,290,133

**Actuarial Assumptions – STRS**

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

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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

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

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

**Discount Rate**

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

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> (6.45%)	<u>Current</u> Discount Rate (7.45%)	<u>1% Increase</u> (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,546,418)	(\$1,777,359)	(\$1,973,305)
	<u>1% Decrease</u>	<u>Current</u> Trend Rate	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$1,961,142)	(\$1,777,359)	(\$1,553,485)

**NOTE 14 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for teachers and 250 days for administrators and classified employees. Upon retirement, payment is made for

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one-fourth of accrued, but unused sick leave credit to a maximum payment of 61 days for teachers and 60 days for administrators and classified employees.

**NOTE 15 - CAPITALIZED LEASES – LESSEE DISCLOSURE**

In prior fiscal years, the School District entered into a lease purchase agreement for constructing the new auditorium. The terms of the agreement transfer ownership of the auditorium to the School District at the expiration of the lease term. The School District is leasing the project through JPMorgan Chase Bank. The School District will make annual lease payments to JPMorgan Chase Bank. The lease is renewable annually and expires in fiscal year 2027.

The School District entered into lease purchase agreements for a new bus garage and for the construction of a gymnasium. The School District is leasing the projects from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the projects during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. U.S. Bank deposited \$205,000 and \$613,000, respectively, in the School District’s name for the construction of the project. Amounts were paid to contractors by the School District as the work progressed. The School District then submitted invoices to the agent for reimbursement. The School District makes semi-annual lease payments to U.S. Bank. The interest rate is fixed at 4.17 percent plus an annual administrative fee on both leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the lease annually.

Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments totaled \$702,000 during fiscal year 2021.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings	\$3,512,491	(\$758,500)	\$2,753,991
Buildings and Improvements	818,000	(274,457)	543,543
Vehicles	147,782	(73,892)	73,890
Totals	\$4,478,273	(\$1,106,849)	\$3,371,424

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 fiscal year-end.

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Fiscal Year Ending June 30,	Total Payments
2022	\$820,850
2023	824,153
2024	821,125
2025	818,853
2026	820,336
2027-2031	1,041,395
2032	53,000
Total Minimum Lease Payments	5,199,712
Less Amount Representing Interest and Fees	(397,712)
Present Value of Minimum Lease Payments	<u>\$4,802,000</u>

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2021 were as follows:

	Amount Outstanding 6/30/20	Additions	Deductions	Amount Outstanding 6/30/21	Amounts Due in One Year
<i>Governmental Activities:</i>					
General Obligation Bonds:					
School Improvements Refunding -					
2011 3.5%-4.15%	\$4,285,000	\$0	\$0	\$4,285,000	\$470,000
Capital Appreciation Bonds 3.62%-3.86%	210,000	0	210,000	0	0
Premium on Refunding Bonds	114,328	0	14,291	100,037	0
Accretion on Capital Appreciation Bonds	241,079	18,921	260,000	0	0
School Improvements Refunding					
Bonds 2014 1.00%-3.50%					
Serial and Term Bonds	1,640,000	0	185,000	1,455,000	190,000
Premium on Debt Issue	133,489	0	15,705	117,784	0
Total General Obligation Bonds	<u>6,623,896</u>	<u>18,921</u>	<u>684,996</u>	<u>5,957,821</u>	<u>660,000</u>
Net Pension Liability:					
STRS	22,177,783	2,292,097	0	24,469,880	0
SERS	6,937,821	907,889	0	7,845,710	0
Total Net Pension Liability	<u>29,115,604</u>	<u>3,199,986</u>	<u>0</u>	<u>32,315,590</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,945,418	0	383,545	2,561,873	0
Capital Leases	5,504,000	0	702,000	4,802,000	724,000
Compensated Absences	1,281,071	170,399	120,533	1,330,937	167,886
Total Governmental Activities					
Long-Term Liabilities	<u>\$45,469,989</u>	<u>\$3,389,306</u>	<u>\$1,891,074</u>	<u>\$46,968,221</u>	<u>\$1,551,886</u>

**School Improvement Refunding 2011**

In June 2011, the School District issued \$5,830,000 in school improvement bonds for the purpose of refunding a portion of the 2001 School Improvement Bonds. \$5,395,000 were serial bonds and



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\$435,000 were capital appreciation bonds. The bonds were issued for an 18 year period, with final maturity in December 2029.

The capital appreciation bonds matured in fiscal year 2021. The fiscal year 2021 accretion amount was \$18,921. The maturity amount of the capital appreciation bonds was \$470,000.

**School Improvement Refunding Bonds 2014**

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

Compensated absences will be paid from the General Fund. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the General Fund. For additional information related to the net pension liability see notes 12 and 13.

The School District's overall legal debt margin was \$26,401,063 with an unvoted debt margin of \$349,165 at June 30, 2021.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2021, are as follows:

School Improvement Bonds			
Fiscal Year Ending June 30,	Serial and Term Bonds Principal	Serial and Term Bonds Interest	Total
2022	\$660,000	\$199,147	\$859,147
2023	680,000	177,312	857,312
2024	705,000	157,814	862,814
2025	730,000	132,350	862,350
2026	750,000	104,900	854,900
2027-2029	2,215,000	134,516	2,349,516
Total	\$5,740,000	\$906,039	\$6,646,039

**NOTE 17 - INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the fiscal year ended June 30, 2021, were as follows:

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	Transfer To
Transfer From	Bond Retirement Fund
General Fund	\$600,000

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

**Interfund Balances**

Interfund balances at June 30, 2021, consist of the following individual interfund receivables and payable:

	Payable
Receivable	Nonmajor Governmental Funds
General Fund	\$137,825

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

**NOTE 18 - SET-ASIDE CALCULATIONS**

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

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

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

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	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2020	\$634,371	\$75,952
Current Fiscal Year Set-aside Requirement	410,802	0
Prior Year Offset from Bond Proceeds	(192,486)	0
Current Fiscal Year Qualifying Expenditures	(122,140)	0
Set-aside Balance Carried		
Forward to Future Fiscal Years	\$730,547	\$75,952
Set-aside Balance		
as of June 30, 2021	\$730,547	\$75,952

The total reserve balance at the end of the fiscal year was \$806,499.

**NOTE 19 - CONTINGENCIES**

**Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2021 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Litigation**

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

**NOTE 20 - JOINTLY GOVERNED ORGANIZATION**

**Miami Valley Educational Computer Association**

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

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formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each School District and Educational Service Center's degree of control is limited to its representation on the Board. The School District paid MVECA \$118,827 for services provided during fiscal year 2021. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**NOTE 21 – INSURANCE PURCHASING POOL**

**Ohio SchoolComp Group Retrospective Rating Program**

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

**NOTE 22 - ACCOUNTABILITY**

At June 30, 2021, the Elementary and Secondary School Emergency Relief , IDEA Part B, Title I, and Miscellaneous Federal Grant Funds had negative fund balances of \$1,694, \$1,468, \$1,662, and \$5,916, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

**NOTE 23 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

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

General Fund	\$196,337
Permanent Improvement Fund	214,131
Other Governmental Funds	250,032
Total	<u><u>\$660,500</u></u>

**Hillsboro City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

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**NOTE 24 – 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. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 25 – SUBSEQUENT EVENTS**

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$821,447 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.11861900%	0.11595550%	0.11443450%	0.11903030%
School District's Proportionate Share of the Net Pension Liability	\$7,845,710	\$6,937,821	\$6,553,876	\$7,111,797
School District's Covered Payroll	\$4,158,521	\$3,652,304	\$3,419,541	\$4,579,636
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	188.67%	189.96%	191.66%	155.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.11632110%	0.11473810%	0.11436300%	0.11436300%
\$8,513,631	\$6,547,069	\$5,787,847	\$6,800,801
\$3,337,007	\$3,457,564	\$3,373,053	\$3,167,855
255.13%	189.35%	171.59%	214.68%
62.98%	69.16%	71.70%	65.52%



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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.11787790%	0.11712390%	0.11560920%	0.12034520%	0.11739280%
School District's Proportionate Share of the Net OPEB Liability	\$2,561,873	\$2,945,418	\$3,207,312	\$3,229,748	\$3,346,129
School District's Covered Payroll	\$4,158,521	\$3,652,304	\$3,419,541	\$4,579,636	\$3,337,007
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	61.61%	80.65%	93.79%	70.52%	100.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.10113008%	0.10028661%	0.09956439%	0.10257258%
School District's Proportionate Share of the Net Pension Liability	\$24,469,880	\$22,177,783	\$21,891,974	\$24,366,335
School District's Covered Payroll	\$12,460,693	\$12,398,429	\$11,300,586	\$10,862,636
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	196.38%	178.88%	193.72%	224.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.09996184%	0.09887040%	0.10050223%	0.10050223%
\$33,460,241	\$27,324,887	\$24,445,620	\$29,119,463
\$11,082,871	\$10,326,771	\$9,942,224	\$10,592,931
301.91%	264.60%	245.88%	274.90%
66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.10113008%	0.10028661%	0.09956439%	0.10257258%	0.09996184%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,777,359)	(\$1,660,987)	(\$1,599,898)	\$4,002,003	\$5,345,985
School District's Covered Payroll	\$12,460,693	\$12,398,429	\$11,300,586	\$10,862,636	\$11,082,871
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-14.26%	-13.40%	-14.16%	36.84%	48.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

**Hillsboro City School District**  
Required Supplementary Information  
Schedule of the School District's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$563,930	\$582,193	\$493,061	\$461,638
Contributions in Relation to the Contractually Required Contribution	<u>(563,930)</u>	<u>(582,193)</u>	<u>(493,061)</u>	<u>(461,638)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,028,071	\$4,158,521	\$3,652,304	\$3,419,541
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	65,621	51,072	81,748	77,403
Contributions in Relation to the Contractually Required Contribution	<u>(65,621)</u>	<u>(51,072)</u>	<u>(81,748)</u>	<u>(77,403)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.63%</u>	<u>1.23%</u>	<u>2.24%</u>	<u>2.26%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.63%</u>	<u>15.23%</u>	<u>15.74%</u>	<u>15.76%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$641,149	\$467,181	\$455,708	\$467,505	\$438,431	\$426,036
(641,149)	(467,181)	(455,708)	(467,505)	(438,431)	(426,036)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,579,636	\$3,337,007	\$3,457,564	\$3,373,053	\$3,167,855	\$3,167,551
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
63,542	57,317	84,678	55,766	57,124	63,393
(63,542)	(57,317)	(84,678)	(55,766)	(57,124)	(63,393)
\$0	\$0	\$0	\$0	\$0	\$0
1.39%	1.72%	2.45%	1.65%	1.80%	2.00%
15.39%	15.72%	15.63%	15.51%	15.64%	15.45%



**Hillsboro City School District**  
Required Supplementary Information  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,714,590	\$1,744,497	\$1,735,780	\$1,582,082
Contributions in Relation to the Contractually Required Contribution	<u>(1,714,590)</u>	<u>(1,744,497)</u>	<u>(1,735,780)</u>	<u>(1,582,082)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (2)	\$12,247,071	\$12,460,693	\$12,398,429	\$11,300,586
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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>
\$1,520,769	\$1,551,602	\$1,445,748	\$1,292,489	\$1,377,081	\$1,279,824
<u>(1,520,769)</u>	<u>(1,551,602)</u>	<u>(1,445,748)</u>	<u>(1,292,489)</u>	<u>(1,377,081)</u>	<u>(1,279,824)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,862,636	\$11,082,871	\$10,326,771	\$9,942,224	\$10,592,931	\$9,844,800
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$99,422	\$105,929	\$98,448
<u>0</u>	<u>0</u>	<u>0</u>	<u>(99,422)</u>	<u>(105,929)</u>	<u>(98,448)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Hillsboro City School District**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2021

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**Net Pension Liability**

**Changes in Assumptions – SERS**

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

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

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

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

**Changes in Assumptions - STRS**

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

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

**Hillsboro City School District**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2021

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

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

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

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

**Hillsboro City School District**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2021

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withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

**Changes in Benefit Terms – STRS OPEB**

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

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

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

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

**HILLSBORO CITY SCHOOL DISTRICT  
HIGHLAND 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>Award Listing Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<i>Child Nutrition Cluster:</i>			
Non-Cash Assistance:			
National School Lunch Program	10.555	3L60	115,791
Summer Food Program	10.559	3GE0	1,163,436
COVID 19 Summer Food Program	10.559	3GE0	146,963
Total - Summer Food Program			<u>1,310,399</u>
Total Child Nutrition Cluster			1,426,190
<b>Total U.S. Department of Agriculture</b>			<b><u>1,426,190</u></b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
Passed through Ohio Department of Education:			
COVID 19 Coronavirus Relief Fund-Rural and Small Town SD	21.019	5CV1	144,538
COVID 19 Coronavirus Relief Fund-BroadbandOhio Connectivity	21.019	5CV1	38,782
Total Coronavirus Relief Fund			<u>183,320</u>
<b>Total U.S. Department of Treasury</b>			<b><u>183,320</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through Ohio Department of Education:			
Title I			
Title I - FY 21	84.010	3M00	879,142
Title I - FY 20	84.010	3M00	141,215
Total Title I			<u>1,020,357</u>
Special Education Cluster:			
Special Education Grants to States			
IDEA Part B - FY 21	84.027	3M20	536,591
IDEA Part B - FY 20	84.027	3M20	98,684
IDEA Restoration - FY 21	84.027	3M20	4,290
IDEA Restoration - FY 20	84.027	3M20	28,332
Total IDEA Part B			<u>667,897</u>
Preschool Early Childhood - FY 21	84.173	3C50	18,251
Total Special Education Cluster			<u>686,148</u>
Title II -A Improving Teacher Quality - FY 21	84.367	3Y60	92,447
Title II-A Improving Teacher Quality - FY 20	84.367	3Y60	20
Total Title II-A Improving Teacher Quality			<u>92,467</u>
Small, Rural School Achievement Program - FY 21	84.358	3Y80	42,806
Striving Readers Comp Literacy - FY 21	84.371	3FE0	219,021
Striving Readers Comp Literacy - FY 20	84.371	3FE0	42,528
Total Striving Readers Comp Literacy			<u>261,549</u>
Title IV-A-Student Support & Academic Enrichment FY 21	84.424	3HI0	72,270
Title IV-A-Student Support & Academic Enrichment FY 20	84.424	3HI0	611
Total Title IV-A-Student Support & Academic Enrichment			<u>72,881</u>
COVID 19 - Education Stabilization Fund	84.425D	3HS0	664,807
<b>Total U.S. Department of Education</b>			<b><u>2,841,015</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$4,450,525</u></b>

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

**HILLSBORO CITY SCHOOL DISTRICT  
HIGHLAND COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(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 Hillsboro City 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 fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2021 to 2022 programs:

Title I Grants to Local Educational Agencies	84.010	\$114,714
Special Education - Grants to States	84.027	\$42,017
Improving Teacher Quality	84.367	\$24,008
Small Rural Achievement Program	84.358	\$184



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

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

To the Board of Education:

We have audited, in accordance with 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 Hillsboro City School District, Highland 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 June 3, 2022. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

***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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



***Compliance and Other Matters***

As part of reasonably assuring whether the 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  
June 3, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited Hillsboro City 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 Hillsboro City 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 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 program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on each Major Federal Program***

In our opinion, Hillsboro City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect 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  
June 3, 2022

**HILLSBORO CITY SCHOOL DISTRICT  
HIGHLAND 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>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	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>	AL# 84.425D ESSER AL# 10.559 and 10.555 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>	Yes

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

None noted

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

None noted.



# OHIO AUDITOR OF STATE KEITH FABER



**HILLSBORO CITY SCHOOL DISTRICT**

**HIGHLAND COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 6/21/2022**

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)