



OHIO AUDITOR OF STATE
KEITH FABER



HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY
JUNE 30, 2022

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HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY
JUNE 30, 2022

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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro City School District, Highland County, Ohio (School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Hillsboro City School District, Highland County, Ohio as of June 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Elementary and Secondary School Emergency Relief (ESSER) funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2022, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Also discussed in Note 3, the School District modified its approach related to the eligibility requirements of certain School District grants. Our opinion is not modified with respect to these matters.

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 29, 2023

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Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

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, 2022. 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 increased \$5,977,742 mainly due to changes in assumptions and benefits associated with the State-wide pension system.
- The School District had an increase in foundation funding due to a change in the States funding formula.

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, Elementary and Secondary School Emergency Relief 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 2022?" 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.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

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 10. 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, 2022
Unaudited

Table 1 provides a summary of the School District's net position for fiscal years 2022 and 2021:

(Table 1)
Net Position
Governmental Activities

	2022	(Restated) 2021	Change in Net Position
Assets:			
Current and Other Assets	\$29,032,446	\$27,671,278	\$1,361,168
Net OPEB Asset	2,184,823	1,777,359	407,464
Capital Assets, Net	56,284,620	55,451,728	832,892
Total Assets	<u>87,501,889</u>	<u>84,900,365</u>	<u>2,601,524</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	118,487	137,343	(18,856)
Pension	7,167,808	5,813,784	1,354,024
OPEB	725,314	856,239	(130,925)
Total Deferred Outflows of Resources	<u>8,011,609</u>	<u>6,807,366</u>	<u>1,204,243</u>
Liabilities:			
Other Liabilities	4,233,420	3,133,506	1,099,914
Long-Term Liabilities			
Due Within One Year	1,605,615	1,551,886	53,729
Due In More Than One Year:			
Net Pension Liability	17,555,008	32,315,590	(14,760,582)
Net OPEB Liability	2,235,310	2,561,873	(326,563)
Other Amounts	9,025,330	10,622,425	(1,597,095)
Total Liabilities	<u>34,654,683</u>	<u>50,185,280</u>	<u>(15,530,597)</u>
Deferred Inflows of Resources:			
Property Taxes	9,892,363	10,490,410	(598,047)
Pension	14,024,974	398,422	13,626,552
OPEB	3,924,303	3,594,186	330,117
Total Deferred Inflows of Resources	<u>27,841,640</u>	<u>14,483,018</u>	<u>13,358,622</u>
Net Position:			
Net Investment in Capital Assets	46,990,945	44,745,697	2,245,248
Restricted	7,105,956	7,176,197	(70,241)
Unrestricted (Deficit)	(21,079,726)	(24,882,461)	3,802,735
Total Net Position	<u>\$33,017,175</u>	<u>\$27,039,433</u>	<u>\$5,977,742</u>

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022. 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 increased \$1,361,168 due to an increase in cash and cash equivalents related to an increase in grant monies and property and income tax revenue received during the fiscal year. Property tax revenue increased due to new construction and property tax revaluations. Intergovernmental receivable increased due to continuation of ESSER federal grants.

Total liabilities decreased \$15,530,597. The decrease is largely due to the State-wide pension systems' changes in assumptions and benefit terms. Deferred inflows of resources increased mainly due to the difference between projected and actual earnings on pension plan investments.

Unrestricted net position for governmental activities increased \$3,802,735, due to the changes in the State-wide pension systems' assumptions and benefit terms.

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 2022 and 2021.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

(Table 2)
Changes in Net Position
Governmental Activities

	2022	(Restated) 2021	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$1,519,220	\$1,948,755	(\$429,535)
Operating Grants, Contributions and Interest	10,257,600	7,204,555	3,053,045
Total Program Revenues	<u>11,776,820</u>	<u>9,153,310</u>	<u>2,623,510</u>
General Revenues:			
Property Taxes	8,235,469	7,633,199	602,270
Income Taxes	3,782,569	3,339,152	443,417
Grants and Entitlements not Restricted to Specific Programs	15,782,037	14,456,246	1,325,791
Interest	(115,588)	53,226	(168,814)
Miscellaneous	264,477	487,214	(222,737)
Total General Revenues	<u>27,948,964</u>	<u>25,969,037</u>	<u>1,979,927</u>
Total Revenues	<u>39,725,784</u>	<u>35,122,347</u>	<u>4,603,437</u>
Program Expenses:			
Instruction	20,603,114	24,389,433	(3,786,319)
Support Services:			
Pupils and Instructional Staff	2,851,639	2,907,201	(55,562)
Board of Education, Administration, Fiscal and Business	2,839,230	3,134,746	(295,516)
Operations and Maintenance of Plant	2,604,231	2,577,136	27,095
Pupil Transportation	2,008,863	2,130,201	(121,338)
Central	97,594	141,834	(44,240)
Operation of Non-Instructional Services	1,773,519	1,877,127	(103,608)
Extracurricular Activities	693,319	941,034	(247,715)
Interest and Fiscal Charges	276,533	321,710	(45,177)
Total Expenses	<u>33,748,042</u>	<u>38,420,422</u>	<u>(4,672,380)</u>
Change in Net Position	5,977,742	(3,298,075)	9,275,817
Net Position at Beginning of Year	27,039,433	30,337,508	(3,298,075)
Net Position at End of Year	<u>\$33,017,175</u>	<u>\$27,039,433</u>	<u>\$5,977,742</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 \$11,776,820 of total revenues for fiscal year 2022. The increase in program revenues was \$2,623,510 from the prior fiscal year. Operating grants increased primarily due to an increase in receiving COVID-19 grant monies during fiscal year 2022.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

General Revenue increased \$1,979,927. Grants and entitlements not restricted to specific programs increased due to a change in the State's funding formula.

Overall, expenses decreased \$4,672,380 predominately due to the State-wide pension systems' changes in assumptions and benefit terms.

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$39,022,497 and expenditures of \$38,868,214. The net change in fund balance for the General Fund increased \$958,551 mostly due to an increase in intergovernmental revenues related to an increase in foundation funding due to a change in the States funding formula.

The Elementary and Secondary School Emergency Relief Fund decreased \$730,360 due to expenditures related to lighting, roofing and additional building improvements.

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 2022, 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 \$27,713,162 with a final budget estimate of \$27,566,305. The decrease of \$146,857 was primarily due to a decrease in intergovernmental revenue offset by an increase in property and income tax revenue.

Original budget basis appropriations were \$30,711,120 with final budget basis appropriations of \$30,743,732. The variance of \$32,612 was mainly due to an increase in support services pupils offset by small decreases in all other expenditures. Actual expenditures were lower than final budget estimates mostly due to the School District closely monitoring expenditures.

Hillsboro City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2022, the School District had \$56,284,620 invested in capital assets (net of accumulated depreciation), an increase of \$832,892. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, intangible right to use, 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, 2022, the School District had \$5,080,000 in bonds outstanding, \$680,000 of which are due within one year. In addition, the School District had \$4,078,000 outstanding associated with a financed purchase payable at fiscal year-end.

For more information about debt, refer to note 15 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, 2022

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,736,277
Inventory Held for Resale	25,848
Materials and Supplies Inventory	5,123
Accrued Interest Receivable	5,421
Intergovernmental Receivable	1,543,799
Prepaid Items	27,363
Property Taxes Receivable	11,083,645
Income Taxes Receivable	1,604,970
Net OPEB Asset	2,184,823
Capital Assets:	
Land and Construction in Progress	4,002,528
Depreciable Capital Assets, Net	52,282,092
<i>Total Assets</i>	87,501,889
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	118,487
Pension	7,167,808
OPEB	725,314
<i>Total Deferred Outflows of Resources</i>	8,011,609
<u>Liabilities:</u>	
Accounts Payable	226,596
Accrued Wages and Benefits Payable	2,449,705
Contracts Payable	1,078,651
Intergovernmental Payable	419,465
Payroll Withholdings Payable	7,003
Accrued Interest Payable	14,240
Matured Compensated Absences Payable	37,760
Long-Term Liabilities:	
Due Within One Year	1,605,615
Due In More Than One Year:	
Net Pension Liability	17,555,008
Net OPEB Liability	2,235,310
Other Amounts	9,025,330
<i>Total Liabilities</i>	34,654,683
<u>Deferred Inflows of Resources:</u>	
Property Taxes	9,892,363
Pension	14,024,974
OPEB	3,924,303
<i>Total Deferred Inflows of Resources</i>	27,841,640
<u>Net Position:</u>	
Net Investment in Capital Assets	46,990,945
Restricted for:	
Debt Service	626,225
Capital Projects	3,912,098
Food Service Operations	1,088,694
Classroom Facilities	1,180,118
Extracurricular Activities	84,379
Student Managed Activities	98,198
Miscellaneous State and Federal Grants	111,113
Library Materials and Service:	
Expendable	131
Nonexpendable	5,000
Unrestricted (Deficit)	(21,079,726)
<i>Total Net Position</i>	\$33,017,175

See accompanying notes to the basic financial statements

Hillsboro City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$15,001,134	\$859,347	\$2,260,934	(\$11,880,853)
Special	5,052,938	256,840	2,795,862	(2,000,236)
Vocational	544,162	38,001	123,516	(382,645)
Student Intervention Services	4,880	0	5,746	866
Support Services:				
Pupils	1,680,957	0	643,811	(1,037,146)
Instructional Staff	1,170,682	0	1,271,373	100,691
Board of Education	47,529	0	0	(47,529)
Administration	2,048,631	437	161,197	(1,886,997)
Fiscal	734,845	228	17,704	(716,913)
Business	8,225	0	0	(8,225)
Operation and Maintenance of Plant	2,604,231	1,003	214,545	(2,388,683)
Pupil Transportation	2,008,863	3,330	365,280	(1,640,253)
Central	97,594	0	14,581	(83,013)
Operation of Non-Instructional Services	1,773,519	91,330	2,317,066	634,877
Extracurricular Activities	693,319	268,704	65,985	(358,630)
Interest and Fiscal Charges	276,533	0	0	(276,533)
Total Governmental Activities	\$33,748,042	\$1,519,220	\$10,257,600	(21,971,222)

General Revenues:

Property Taxes Levied for:	
General Purposes	7,016,556
Debt Service	750,324
Capital Outlay	341,056
Facility Maintenance	127,533
Income Taxes	3,782,569
Grants and Entitlements not Restricted	
to Specific Programs	15,782,037
Investment Earnings	(115,588)
Miscellaneous	264,477
Total General Revenues	27,948,964
Change in Net Position	5,977,742
Net Position at Beginning of Year <i>Restated (See Note 3)</i>	27,039,433
Net Position at End of Year	\$33,017,175

See accompanying notes to the basic financial statements

Hillsboro City School District

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Elementary and Secondary School Emergency Relief Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,834,354	\$0	\$3,986,676	\$3,170,552	\$13,991,582
Receivables:					
Property Taxes	9,876,338	0	346,073	861,234	11,083,645
Income Taxes	1,604,970	0	0	0	1,604,970
Intergovernmental	91,744	1,099,500	0	352,555	1,543,799
Accrued Interest	3,362	0	1,843	216	5,421
Interfund	99,860	0	0	0	99,860
Prepaid Items	24,231	0	0	3,132	27,363
Materials and Supplies Inventory	0	0	0	5,123	5,123
Inventory Held for Resale	0	0	0	25,848	25,848
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	744,695	0	0	0	744,695
Total Assets	\$19,279,554	\$1,099,500	\$4,334,592	\$4,418,660	\$29,132,306
<u>Liabilities:</u>					
Accounts Payable	\$57,744	\$19,800	\$55,381	\$93,671	\$226,596
Accrued Wages and Benefits Payable	2,133,632	37,082	0	278,991	2,449,705
Contracts Payable	0	1,007,036	71,615	0	1,078,651
Intergovernmental Payable	360,595	18,031	0	40,839	419,465
Payroll Withholdings Payable	7,003	0	0	0	7,003
Interfund Payable	0	17,551	0	82,309	99,860
Matured Compensated Absences Payable	37,760	0	0	0	37,760
Total Liabilities	2,596,734	1,099,500	126,996	495,810	4,319,040
<u>Deferred Inflows of Resources:</u>					
Property Taxes	8,864,672	0	295,498	732,193	9,892,363
Unavailable Revenue	910,032	732,054	34,233	88,942	1,765,261
Total Deferred Inflows of Resources	9,774,704	732,054	329,731	821,135	11,657,624
<u>Fund Balances:</u>					
Nonspendable	24,231	0	0	13,255	37,486
Restricted	668,743	0	3,877,865	3,111,512	7,658,120
Committed	238,201	0	0	0	238,201
Assigned	1,758,963	0	0	0	1,758,963
Unassigned (Deficit)	4,217,978	(732,054)	0	(23,052)	3,462,872
Total Fund Balances	6,908,116	(732,054)	3,877,865	3,101,715	13,155,642
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$19,279,554	\$1,099,500	\$4,334,592	\$4,418,660	\$29,132,306

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, 2022

Total Governmental Fund Balances \$13,155,642

***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. 56,284,620

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	775,119
Income taxes	249,431
Intergovernmental	736,800
Investment earnings	3,911
	1,765,261

Total 1,765,261

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	2,184,823
Deferred Outflows - Pension	7,167,808
Deferred Outflows - OPEB	725,314
Net Pension Liability	(17,555,008)
Net OPEB Liability	(2,235,310)
Deferred Inflows - Pension	(14,024,974)
Deferred Inflows - OPEB	(3,924,303)
	(27,661,650)

Total (27,661,650)

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 118,487

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (14,240)

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	(5,080,000)
Financed Purchase payable	(4,078,000)
Premium on debt issuance	(187,825)
Leases	(66,337)
Compensated absences	(1,218,783)
	(10,630,945)

Total liabilities (10,630,945)

Net Position of Governmental Activities \$33,017,175

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, 2022

	General Fund	Elementary and Secondary School Emergency Relief Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$7,062,795	\$0	\$343,304	\$884,819	\$8,290,918
Income Taxes	3,750,119	0	0	0	3,750,119
Intergovernmental	17,046,660	4,111,148	81,463	4,091,533	25,330,804
Investment Earnings	(111,299)	0	(60,196)	(14,189)	(185,684)
Tuition and Fees	1,132,539	0	0	0	1,132,539
Extracurricular Activities	71,505	0	0	196,797	268,302
Customer Sales and Service	21,649	0	5,000	91,330	117,979
Rent	400	0	0	0	400
Contributions and Donations	908	0	0	51,735	52,643
Miscellaneous	98,796	0	0	165,681	264,477
<i>Total Revenues</i>	<u>29,074,072</u>	<u>4,111,148</u>	<u>369,571</u>	<u>5,467,706</u>	<u>39,022,497</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	13,379,887	776,782	0	115,042	14,271,711
Special	4,147,471	109,115	0	1,277,508	5,534,094
Vocational	610,277	4,618	0	0	614,895
Student Intervention Services	0	0	0	4,880	4,880
Support Services:					
Pupils	1,005,293	208,908	0	611,353	1,825,554
Instructional Staff	667,479	415,077	0	129,603	1,212,159
Board of Education	47,529	0	0	0	47,529
Administration	2,042,435	42,918	22,496	42,595	2,150,444
Fiscal	715,384	6,087	11,748	31,998	765,217
Business	8,225	0	0	0	8,225
Operation and Maintenance of Plant	2,221,208	75,374	31,013	160,932	2,488,527
Pupil Transportation	1,951,275	77,825	171,212	0	2,200,312
Central	103,306	2,029	0	0	105,335
Operation of Non-Instructional Services	4,420	36,638	0	1,806,967	1,848,025
Extracurricular Activities	539,240	4,566	20,675	364,939	929,420
Capital Outlay	0	3,081,571	89,696	0	3,171,267
Debt Service:					
Principal Retirement	17,216	0	0	1,384,000	1,401,216
Interest and Fiscal Charges	162	0	0	289,242	289,404
<i>Total Expenditures</i>	<u>27,460,807</u>	<u>4,841,508</u>	<u>346,840</u>	<u>6,219,059</u>	<u>38,868,214</u>
Excess of Revenues Over (Under) Expenditures	<u>1,613,265</u>	<u>(730,360)</u>	<u>22,731</u>	<u>(751,353)</u>	<u>154,283</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	11,008	0	0	665,722	676,730
Transfers Out	(665,722)	0	0	(11,008)	(676,730)
<i>Total Other Financing Sources (Uses)</i>	<u>(654,714)</u>	<u>0</u>	<u>0</u>	<u>654,714</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	958,551	(730,360)	22,731	(96,639)	154,283
<i>Fund Balances (Deficit) at Beginning of Year</i>					
Restated (See Note 3)	5,949,565	(1,694)	3,855,134	3,198,354	13,001,359
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$6,908,116</u>	<u>(\$732,054)</u>	<u>\$3,877,865</u>	<u>\$3,101,715</u>	<u>\$13,155,642</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$154,283

*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	377,739	
Construction in progress additions	3,153,186	
Depreciation expense	<u>(2,698,033)</u>	
Excess of capital outlay expense over depreciation		832,892

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	(55,449)	
Income taxes	32,450	
Intergovernmental	727,165	
Investment earnings	<u>(879)</u>	
Total		703,287

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

Pension	2,486,493	
OPEB	<u>71,946</u>	
Total		2,558,439

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	1,561	
OPEB	<u>201,039</u>	
Total		202,600

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	660,000	
Financed Purchase payments	724,000	
Lease payments	<u>17,216</u>	
Total		1,401,216

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	1,731	
Amortization of bond premium	29,996	
Amortization of deferred charge on refunding	<u>(18,856)</u>	
Total		12,871

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:

Decrease in compensated absences payable	<u>112,154</u>
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Change in Net Position of Governmental Activities \$5,977,742

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$10,681,004	\$11,268,600	\$7,068,166	(\$4,200,434)
Income Taxes	3,000,000	3,526,742	3,526,742	0
Intergovernmental	12,062,981	11,141,691	16,977,064	5,835,373
Interest	60,000	0	(113,496)	(113,496)
Tuition and Fees	1,566,689	1,211,518	1,132,539	(78,979)
Extracurricular Activities	17,204	56,703	71,505	14,802
Customer Sales and Services	30,819	29,384	21,649	(7,735)
Rent	0	0	400	400
Gifts and Donations	1,313	1,295	908	(387)
Miscellaneous	293,152	330,372	98,563	(231,809)
Total Revenues	27,713,162	27,566,305	28,784,040	1,217,735
Expenditures:				
Current:				
Instruction:				
Regular	15,622,579	15,503,108	13,443,301	2,059,807
Special	4,618,491	4,588,456	4,256,372	332,084
Vocational	604,423	613,841	613,841	0
Support Services:				
Pupils	771,386	1,031,526	1,007,758	23,768
Instructional Staff	896,446	885,915	686,088	199,827
Board of Education	47,215	51,417	48,612	2,805
Administration	2,039,761	2,031,544	2,031,544	0
Fiscal	745,623	736,216	725,665	10,551
Business	1,427	12,208	8,225	3,983
Operation and Maintenance of Plant	2,611,878	2,576,294	2,331,768	244,526
Pupil Transportation	2,002,589	1,972,239	1,972,239	0
Central	117,741	117,711	109,913	7,798
Operation of Non-Instructional Services	33,247	33,186	2,620	30,566
Extracurricular Activities	598,314	590,071	510,373	79,698
Total Expenditures	30,711,120	30,743,732	27,748,319	2,995,413
Excess of Revenues Over (Under) Expenditures	(2,997,958)	(3,177,427)	1,035,721	4,213,148
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,000	1,000	0	(1,000)
Transfers In	200,000	61,008	11,008	(50,000)
Refund of Prior Year Expenditures	0	0	233	233
Transfers Out	(815,722)	(815,722)	(665,722)	150,000
Total Other Financing Sources (Uses)	(614,722)	(753,714)	(654,481)	99,233
Net Change in Fund Balance	(3,612,680)	(3,931,141)	381,240	4,312,381
Fund Balance at Beginning of Year	6,809,504	6,809,504	6,809,504	0
Prior Year Encumbrances Appropriated	196,337	196,337	196,337	0
Fund Balance at End of Year	\$3,393,161	\$3,074,700	\$7,387,081	\$4,312,381

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
Elementary and Secondary School Emergency Relief Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$7,989,288	\$10,288,315	\$3,865,311	(\$6,423,004)
Expenditures:				
Current:				
Instruction:				
Regular	0	1,080,129	767,562	312,567
Special	162,615	916,465	114,316	802,149
Vocational	0	4,618	4,618	0
Support Services:				
Pupils	23,276	559,018	220,450	338,568
Instructional Staff	7,698,096	425,217	425,217	0
Administration	13,823	836,682	59,380	777,302
Fiscal	0	6,087	6,087	0
Operation and Maintenance of Plant	0	753,652	753,652	0
Pupil Transportation	0	77,683	77,683	0
Central	0	2,029	2,029	0
Operation of Non-Instructional Services	0	36,162	36,162	0
Extracurricular Activities	0	4,566	4,566	0
Capital Outlay	0	5,549,675	5,380,907	168,768
Total Expenditures	7,897,810	10,251,983	7,852,629	2,399,354
Excess of Revenues Over (Under) Expenditures	91,478	36,332	(3,987,318)	(4,023,650)
Net Change in Fund Balance	91,478	36,332	(3,987,318)	(4,023,650)
Fund Balance (Deficit) at Beginning of Year	(36,333)	(36,333)	(36,333)	0
Fund Balance (Deficit) at End of Year	\$55,145	(\$1)	(\$4,023,651)	(\$4,023,650)

See accompanying notes to the basic financial statements

Hillsboro City School District
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	<u>Custodial</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$82,081</u>
<u>Liabilities:</u>	
Accounts Payable	<u>\$82,081</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, 2022

	Custodial Fund
<u>Additions:</u>	
Contributions and Donations	\$2,000
Interest	59
	2,059
<i>Total Additions</i>	2,059
 <u>Deductions:</u>	
Non-Instructional Services	2,059
	0
<i>Change in Net Position</i>	0
<i>Net Position at Beginning of Year</i>	0
<i>Net Position at End of Year</i>	\$0

See accompanying notes to the basic financial statements

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 19 and 20 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, 2022

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, 2022

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.

Elementary and Secondary School Emergency Relief Fund - The Elementary and Secondary School Emergency Relief Fund is used to account for and report emergency coronavirus relief restricted federal grant monies for related COVID-19 pandemic expenses.

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.

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 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 assets 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 assets 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, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 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

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 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 2022, the School District’s investments were limited to commercial paper, money market mutual funds, negotiable certificates of deposit, and federal home loan bank bonds. 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 2022 amounted to (\$111,299), which includes (\$15,799) 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.

Hillsboro City School District
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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.

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, 2022, 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 (except for intangible right-to-use lease assets which are discussed below) 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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Notes to the Basic Financial Statements
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<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

The School District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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, financed purchase and lease that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

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For the Fiscal Year Ended June 30, 2022

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.

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 2023 appropriated budget.

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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.

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District’s 2022 financial statements. The School District recognized \$83,553 in leases payable at July 1, 2021, which was offset by the intangible asset, right to use lease – equipment.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 –*Omnibus 2020*, and GASB Statement No. 97 -- *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2022, the School District modified its approach related to the eligibility requirements of certain School District grants; resulting in the following restatements to fund balance/net position at July 1, 2021:

	General Fund	Elementary and Secondary School Emergency Relief Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2021	\$5,949,565	(\$1,694)	\$3,855,134	\$3,205,484	\$13,008,489
Adjustments:					
Reimbursable Grants	0	0	0	(7,130)	(7,130)
Restated Fund Balances, June 30, 2021	<u>\$5,949,565</u>	<u>(\$1,694)</u>	<u>\$3,855,134</u>	<u>\$3,198,354</u>	<u>\$13,001,359</u>

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
Net Position, June 30, 2021	\$27,287,498
Adjustments:	
Reimbursable Grants	(248,065)
Restated Net Position, June 30, 2021	\$27,039,433

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	Elementary and Secondary School Emergency Relief Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$24,231	\$0	\$0	\$3,132	\$27,363
Inventory	0	0	0	5,123	5,123
Library Materials	0	0	0	5,000	5,000
<i>Total Nonspendable</i>	24,231	0	0	13,255	37,486
<i>Restricted for</i>					
Debt Service	0	0	0	567,924	567,924
Capital Projects	0	0	3,877,865	0	3,877,865
Food Service Operations	0	0	0	1,082,859	1,082,859
Classroom Facilities	0	0	0	1,168,390	1,168,390
Extracurricular Activities	0	0	0	84,379	84,379
Student Managed Activities	0	0	0	98,198	98,198
Miscellaneous State and Federal Grants	0	0	0	109,631	109,631
Set Asides	668,743	0	0	0	668,743
Library Services	0	0	0	131	131
<i>Total Restricted</i>	668,743	0	3,877,865	3,111,512	7,658,120
<i>Committed to</i>					
Termination Benefits	238,201	0	0	0	238,201
<i>Assigned to</i>					
Purchases on Order	220,292	0	0	0	220,292
Future Appropriations	1,538,671	0	0	0	1,538,671
<i>Total Assigned</i>	1,758,963	0	0	0	1,758,963
<i>Unassigned (Deficit)</i>	4,217,978	(732,054)	0	(23,052)	3,462,872
<i>Total Fund Balances</i>	\$6,908,116	(\$732,054)	\$3,877,865	\$3,101,715	\$13,155,642

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 and Elementary and Secondary School Emergency Relief Fund are 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:

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.
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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

	Net Change in Fund Balance	
	General Fund	Elementary and Secondary School Emergency Relief Fund
GAAP Basis	\$958,551	(\$730,360)
Adjustments:		
Revenue Accruals	(285,307)	(245,837)
Expenditure Accruals	(8,871)	994,979
Encumbrances	(278,641)	(4,006,100)
Increase in Fair Value of Investments - 2022	(1,860)	0
Unrecorded Cash - Fiscal Year 2021	1,692	0
Unrecorded Cash - Fiscal Year 2022	(4,324)	0
Budget Basis	\$381,240	(\$3,987,318)

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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.

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, and by eligible securities pledged through First Horizon Bank.

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;

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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, 2022, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Rating	Percent of Total Investment
Amortized Cost:				
Commercial Paper	\$587,882	Less than one year	A1	12.41%
Fair Value - Level One Inputs:				
Money Market Mutual Funds	17,659	Less than one year	AAA-mf	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	2,814,041	Less than five years	N/A	59.38%
Federal Home Loan Bank Bonds	1,319,350	Less than five years	Aaa	27.84%
Total Fair Value - Level Two Inputs	<u>4,133,391</u>			
Total Investments	<u>\$4,738,932</u>			

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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, 2022. 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.

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 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, 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

Hillsboro City School District
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For the Fiscal Year Ended June 30, 2022

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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 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, 2022, are available to finance fiscal year 2022 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, 2022 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, 2022 was \$353,490 in the General Fund, \$17,672 in the Permanent Improvement Capital Projects Fund, and \$45,001 in the Nonmajor Governmental Funds. The amount available as an advance at June 30, 2021 was \$358,861 in the General Fund, \$17,904 in the Permanent Improvement Capital Projects Fund, and \$46,455 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 2022 taxes were collected are:

	2021 Second - Half Collections		2022 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$319,431,350	91.48%	\$361,127,850	90.15%
Public Utility Personal	29,733,700	8.52%	39,449,800	9.85%
Total Assessed Value	<u>\$349,165,050</u>	<u>100.00%</u>	<u>\$400,577,650</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.20		\$29.20	

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022, 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:

<u>Governmental Activities:</u>	<u>Amounts</u>
Food Service	\$59,185
SERS Overfunding	24,316
STRS Overfunding	64,114
ESSER Grant	1,099,500
Idea VI-B Grant	76,215
Idea Part B Special Education Grant	11,353
Expanding Opportunities for Each Child Grant	27,653
Title I-A Grant	176,606
Title II - A Grant	989
Miscellaneous Federal Grant	554
State Foundation Adjustment	3,314
Total Intergovernmental Receivables	<u><u>\$1,543,799</u></u>

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	(Restated)			
	Balance at 6/30/21	Additions	Deductions	Balance at 6/30/22
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$830,736	\$18,606	\$0	\$849,342
Construction in Progress	0	3,153,186	0	3,153,186
Total Capital Assets Not Being Depreciated	830,736	3,171,792	0	4,002,528
Capital Assets Being Depreciated:				
Land Improvements	5,539,865	10,925	0	5,550,790
Buildings and Improvements	73,446,001	35,683	0	73,481,684
Furniture, Fixtures and Equipment	5,594,936	312,105	0	5,907,041
Intangible Right to Use - Equipment **	83,553	0	0	83,553
Vehicles	1,895,881	420	0	1,896,301
Textbooks	996,123	0	0	996,123
Totals Capital Assets Being Depreciated	87,556,359	359,133	0	87,915,492
Less Accumulated Depreciation:				
Land Improvements	(2,584,389)	(164,037)	0	(2,748,426)
Buildings and Improvements	(23,344,088)	(2,153,983)	0	(25,498,071)
Furniture, Fixtures and Equipment	(4,393,244)	(312,315)	0	(4,705,559)
Intangible Right to Use - Equipment **	0	(17,287)	0	(17,287)
Vehicles	(1,617,523)	(50,411)	0	(1,667,934)
Textbooks	(996,123)	0	0	(996,123)
Total Accumulated Depreciation	(32,935,367)	(2,698,033) *	0	(35,633,400)
Total Capital Assets Being Depreciated, Net	54,620,992	(2,338,900)	0	52,282,092
Governmental Activities Capital Assets, Net	\$55,451,728	\$832,892	\$0	\$56,284,620

* Depreciation expense was charged to governmental functions as follows:

Hillsboro City School District
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For the Fiscal Year Ended June 30, 2022

Instruction:	
Regular	\$1,882,371
Special	81,846
Vocational	19,213
Support Services:	
Instructional Staff	25,272
Administration	109,060
Fiscal	2,801
Operation and Maintenance of Plant	300,771
Pupil Transportation	166,109
Operation of Non-Instructional Services - Food Service Operations	68,118
Extracurricular Activities	42,472
Total Depreciation Expense	\$2,698,033

** Of the current year depreciation total of \$2,698,033, \$17,287 of regular instruction is presented on the Statement of Activities related to the School District’s intangible asset of equipment, which is included as an Intangible Right to Use Lease.

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 \$105,422,328. Other property insurance includes band 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.

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Workers' Compensation

For fiscal year 2022, the School District participated in the Ohio SchoolComp Group Retrospective Rating Program (GRRP), an insurance purchasing pool (See Note 20). 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 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/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) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/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.

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

The 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 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.

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$577,676 for fiscal year 2022, none of which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

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The School District's contractually required contribution to STRS was \$1,908,817 for fiscal year 2022. Of this amount, \$295,528 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, 2021, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11669670%	0.103623820%	
Prior Measurement Date	0.11861900%	0.101130080%	
Change in Proportionate Share	<u>-0.00192230%</u>	<u>0.002493740%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,305,771	\$13,249,237	\$17,555,008
Pension Expense	(\$83,464)	\$81,903	(\$1,561)

At June 30, 2022, 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>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$416	\$409,337	\$409,753
Changes of assumptions	90,667	3,675,576	3,766,243
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	35,645	469,674	505,319
School District contributions subsequent to the measurement date	<u>577,676</u>	<u>1,908,817</u>	<u>2,486,493</u>
Total Deferred Outflows of Resources	<u>\$704,404</u>	<u>\$6,463,404</u>	<u>\$7,167,808</u>

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	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$111,666	\$83,046	\$194,712
Net difference between projected and actual earnings on pension plan investments	2,217,597	11,418,307	13,635,904
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	73,382	120,976	194,358
Total Deferred Inflows of Resources	\$2,402,645	\$11,622,329	\$14,024,974

\$2,486,493 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	(\$556,528)	(\$1,848,798)	(\$2,405,326)
2024	(511,458)	(1,432,234)	(1,943,692)
2025	(527,265)	(1,601,346)	(2,128,611)
2026	(680,666)	(2,185,364)	(2,866,030)
Total	(\$2,275,917)	(\$7,067,742)	(\$9,343,659)

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

Hillsboro City School District
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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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. 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 rebalancing uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$7,163,743	\$4,305,771	\$1,895,516

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

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	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement 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. 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 June 30, 2021, 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:

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

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

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For the Fiscal Year Ended June 30, 2022

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$24,810,863	\$13,249,237	\$3,479,689

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

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 or the School Employees Retirement System. As of June 30, 2022, one member of the Board of Education have elected Social Security. The contribution rate is 6.20 percent of wages.

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care 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 2022, 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 2022, this amount was \$25,000. 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 2022, the School District's surcharge obligation was \$71,946.

Hillsboro City School District
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The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$71,946 for fiscal year 2022, none of which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), 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, 2021, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.11810900%	0.103623824%	
Prior Measurement Date	<u>0.11787790%</u>	<u>0.101130080%</u>	
Change in Proportionate Share	<u>0.00023110%</u>	<u>0.002493744%</u>	
Proportionate Share of the:			
Net OPEB (Asset)	\$0	(\$2,184,823)	(\$2,184,823)
Net OPEB Liability	\$2,235,310	\$0	\$2,235,310
OPEB Expense	(\$50,536)	(\$150,503)	(\$201,039)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$23,826	\$77,795	\$101,621
Changes of assumptions	350,667	139,557	490,224
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	16,620	44,903	61,523
School District contributions subsequent to the measurement date	71,946	0	71,946
Total Deferred Outflows of Resources	<u>\$463,059</u>	<u>\$262,255</u>	<u>\$725,314</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$1,113,285	\$400,299	\$1,513,584
Changes of assumptions	306,107	1,303,407	1,609,514
Net difference between projected and actual earnings on pension plan investments	48,563	605,595	654,158
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	93,447	53,600	147,047
Total Deferred Inflows of Resources	<u>\$1,561,402</u>	<u>\$2,362,901</u>	<u>\$3,924,303</u>

\$71,946 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, 2023. 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:			
2023	(\$278,395)	(\$594,667)	(\$873,062)
2024	(278,735)	(579,510)	(858,245)
2025	(259,517)	(590,092)	(849,609)
2026	(211,177)	(252,961)	(464,138)
2027	(109,399)	(85,613)	(195,012)
Thereafter	(33,066)	2,197	(30,869)
Total	<u>(\$1,170,289)</u>	<u>(\$2,100,646)</u>	<u>(\$3,270,935)</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

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

Hillsboro City School District
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For 2020, 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, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The 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, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020, and the June 30, 2021, total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021, and 2.45 percent at June 30, 2020.

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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

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For the Fiscal Year Ended June 30, 2022

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1 % Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$2,769,819	\$2,235,310	\$1,808,305

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,721,005	\$2,235,310	\$2,922,262

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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 7.00 percent as of June 30, 2021, and 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, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

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, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1 % Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$1,843,653)	(\$2,184,823)	(\$2,469,820)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,458,272)	(\$2,184,823)	(\$1,846,679)

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

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Notes to the Basic Financial Statements
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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 administrators and 260 days for classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 61 days for teachers and administrators and 65 days for classified employees.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2022 were as follows:

	(Restated) Amount Outstanding 6/30/21	Additions	Deductions	Amount Outstanding 6/30/22	Amounts Due in One Year
<i>Governmental Activities:</i>					
General Obligation Bonds:					
School Improvements Refunding - 2011 3.5%-4.15%	\$4,285,000	\$0	\$470,000	\$3,815,000	\$485,000
Premium on Refunding Bonds	100,037	0	14,291	85,746	0
School Improvements Refunding Bonds 2014 1.00%-3.50%					
Serial and Term Bonds	1,455,000	0	190,000	1,265,000	195,000
Premium on Debt Issue	117,784	0	15,705	102,079	0
Total General Obligation Bonds	<u>5,957,821</u>	<u>0</u>	<u>689,996</u>	<u>5,267,825</u>	<u>680,000</u>
Net Pension Liability:					
STRS	24,469,880	0	11,220,643	13,249,237	0
SERS	7,845,710	0	3,539,939	4,305,771	0
Total Net Pension Liability	<u>32,315,590</u>	<u>0</u>	<u>14,760,582</u>	<u>17,555,008</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,561,873	0	326,563	2,235,310	0
Financed Purchase Payable	4,802,000	0	724,000	4,078,000	741,000
Lease	83,553	0	17,216	66,337	17,253
Compensated Absences	1,330,937	68,518	180,672	1,218,783	167,362
Total Governmental Activities Long-Term Liabilities	<u>\$47,051,774</u>	<u>\$68,518</u>	<u>\$16,699,029</u>	<u>\$30,421,263</u>	<u>\$1,605,615</u>

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

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.

Financed Purchase

In prior years, the School District entered into a financed purchase agreement for constructing the new auditorium, a new bus garage, and for the construction of a gymnasium. Financed Purchase payments are reflected as debt expenditures in the fund financial statements. Principal payments made during fiscal year 2022 on the buildings totaled \$724,000. Payments are made from the Debt Service Fund.

The agreement provides for minimum annual financed purchase payments as follows:

Fiscal Year Ending June 30,	Total Payments
2023	\$817,984
2024	814,868
2025	812,509
2026	813,860
2027	816,856
2028-2032	270,932
Total	4,347,009
Less Amount Representing Interest	(269,009)
Present Value of Minimum Lease Payments	\$4,078,000

Lease

The School District has an outstanding agreement to lease copiers. Due to the implementation of GASB Statement No. 87, this lease meets the criteria of a lease thus requiring it to be recorded by the School District. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining lease is as follows:

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For the Fiscal Year Ended June 30, 2022

Year	Principal	Interest	Total
2023	\$17,253	\$125	\$17,378
2024	17,290	88	17,378
2025	17,327	51	17,378
2026	14,467	14	14,481
	\$66,337	\$278	\$66,615

Compensated absences will be paid from the General Fund. The financed purchase will be paid from the Debt Service 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 \$31,539,913 with an unvoted debt margin of \$400,578 at June 30, 2022.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2022, are as follows:

School Improvement Bonds			
Fiscal Year Ending June 30,	Serial and Term Bonds Principal	Serial and Term Bonds Interest	Total
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	785,000	75,975	860,975
2028-2029	1,430,000	58,541	1,488,541
Total	\$5,080,000	\$706,892	\$5,786,892

NOTE 16 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2022, were as follows:

Transfer From	Transfer To		
	General Fund	Nonmajor Governmental Funds	Total
	General Fund	\$0	\$665,722
Nonmajor Governmental Funds	11,008	0	11,008
Total	\$11,008	\$665,722	\$676,730

Hillsboro City School District
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Transfers were made from the General Fund to the Nonmajor Governmental Fund for debt payments. Transfers were made from the Nonmajor Governmental Funds to the General Fund for close out of the student activity balances.

Interfund Balances

Interfund balances at June 30, 2022, consist of the following individual interfund receivables and payable:

	Payable
Receivable	Nonmajor Governmental Funds
General Fund	\$99,860

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 17 - 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.

	Capital Acquisition	Budget Stabilization
Set-aside Balance as of June 30, 2021	\$730,547	\$75,952
Current Fiscal Year Set-aside Requirement	376,464	0
Prior Year Offset from Bond Proceeds	(210,757)	0
Current Fiscal Year Qualifying Expenditures	(227,511)	0
Set-aside Balance Carried		
Forward to Future Fiscal Years	\$668,743	\$75,952
Set-aside Balance		
as of June 30, 2022	\$668,743	\$75,952

Hillsboro City School District
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For the Fiscal Year Ended June 30, 2022

The total reserve balance at the end of the fiscal year was \$744,695.

NOTE 18 - 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, 2022, 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 2022 were provided. As a result, the School District had a receivable of \$3,314. The School District has not received the final adjustments from ODE, which may result in additional receivables or payables.

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 19 - 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 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 \$107,018 for services

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

provided during fiscal year 2022. Financial information can be obtained from Thor Sage, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

NOTE 20 – 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 21 - ACCOUNTABILITY

At June 30, 2022, the Miscellaneous State Grant, Elementary and Secondary School Emergency Relief, and IDEA Part B Funds had negative fund balances of \$400, \$732,054, and \$22,187, 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 22 – 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	\$278,641
Elementary and Secondary School Emergency Relief Fund	4,006,100
Permanent Improvement Fund	402,924
Other Governmental Funds	464,942
Total	\$5,152,607

Contractual Commitments

The outstanding construction commitments at June 30, 2022, are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/22
Prodigy Building Solutions	\$5,525,028	\$3,153,186	\$2,371,842

Hillsboro City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 23 – 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, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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 Nine Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.11669670%	0.11861900%	0.11595550%	0.11443450%
School District's Proportionate Share of the Net Pension Liability	\$4,305,771	\$7,845,710	\$6,937,821	\$6,553,876
School District's Covered Payroll	\$4,028,071	\$4,158,521	\$3,652,304	\$3,419,541
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	106.89%	188.67%	189.96%	191.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%

(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

2018	2017	2016	2015	2014
0.11903030%	0.11632110%	0.11473810%	0.11436300%	0.11436300%
\$7,111,797	\$8,513,631	\$6,547,069	\$5,787,847	\$6,800,801
\$4,579,636	\$3,337,007	\$3,457,564	\$3,373,053	\$3,167,855
155.29%	255.13%	189.35%	171.59%	214.68%
69.50%	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 Six Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net OPEB Liability	0.11810900%	0.11787790%	0.11712390%	0.11560920%
School District's Proportionate Share of the Net OPEB Liability	\$2,235,310	\$2,561,873	\$2,945,418	\$3,207,312
School District's Covered Payroll	\$4,028,071	\$4,158,521	\$3,652,304	\$3,419,541
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	55.49%	61.61%	80.65%	93.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%

(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

2018	2017
0.12034520%	0.11739280%
\$3,229,748	\$3,346,129
\$4,579,636	\$3,337,007
70.52%	100.27%
12.46%	11.49%

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 Nine Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.10362382%	0.10113008%	0.10028661%	0.09956439%
School District's Proportionate Share of the Net Pension Liability	\$13,249,237	\$24,469,880	\$22,177,783	\$21,891,974
School District's Covered Payroll	\$12,247,071	\$12,460,693	\$12,398,429	\$11,300,586
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	108.18%	196.38%	178.88%	193.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.30%

(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

2018	2017	2016	2015	2014
0.10257258%	0.09996184%	0.09887040%	0.10050223%	0.10050223%
\$24,366,335	\$33,460,241	\$27,324,887	\$24,445,620	\$29,119,463
\$10,862,636	\$11,082,871	\$10,326,771	\$9,942,224	\$10,592,931
224.31%	301.91%	264.60%	245.88%	274.90%
75.30%	66.80%	72.10%	74.70%	69.30%

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 Six Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net OPEB Liability (Asset)	0.103623824%	0.10113008%	0.10028661%	0.09956439%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$2,184,823)	(\$1,777,359)	(\$1,660,987)	(\$1,599,898)
School District's Covered Payroll	\$12,247,071	\$12,460,693	\$12,398,429	\$11,300,586
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-17.84%	-14.26%	-13.40%	-14.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.70%	182.10%	174.70%	176.00%

(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

2018	2017
0.10257258%	0.09996184%
\$4,002,003	\$5,345,985
\$10,862,636	\$11,082,871
36.84%	48.24%
47.10%	37.30%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$577,676	\$563,930	\$582,193	\$493,061
Contributions in Relation to the Contractually Required Contribution	<u>(577,676)</u>	<u>(563,930)</u>	<u>(582,193)</u>	<u>(493,061)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,126,257	\$4,028,071	\$4,158,521	\$3,652,304
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	71,946	65,621	51,072	81,748
Contributions in Relation to the Contractually Required Contribution	<u>(71,946)</u>	<u>(65,621)</u>	<u>(51,072)</u>	<u>(81,748)</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>1.74%</u>	<u>1.63%</u>	<u>1.23%</u>	<u>2.24%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.74%</u>	<u>15.63%</u>	<u>15.23%</u>	<u>15.74%</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

2018	2017	2016	2015	2014	2013
\$461,638	\$641,149	\$467,181	\$455,708	\$467,505	\$438,431
(461,638)	(641,149)	(467,181)	(455,708)	(467,505)	(438,431)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,419,541	\$4,579,636	\$3,337,007	\$3,457,564	\$3,373,053	\$3,167,855
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
77,403	63,542	57,317	84,678	55,766	57,124
(77,403)	(63,542)	(57,317)	(84,678)	(55,766)	(57,124)
\$0	\$0	\$0	\$0	\$0	\$0
2.26%	1.39%	1.72%	2.45%	1.65%	1.80%
15.76%	15.39%	15.72%	15.63%	15.51%	15.64%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$1,908,817	\$1,714,590	\$1,744,497	\$1,735,780
Contributions in Relation to the Contractually Required Contribution	<u>(1,908,817)</u>	<u>(1,714,590)</u>	<u>(1,744,497)</u>	<u>(1,735,780)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (2)	\$13,634,407	\$12,247,071	\$12,460,693	\$12,398,429
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$1,582,082	\$1,520,769	\$1,551,602	\$1,445,748	\$1,292,489	\$1,377,081
<u>(1,582,082)</u>	<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>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$11,300,586	\$10,862,636	\$11,082,871	\$10,326,771	\$9,942,224	\$10,592,931
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$99,422	\$105,929
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(99,422)</u>	<u>(105,929)</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>0.00%</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, 2022

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 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 prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 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 2022, 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 years 2018-2021 and fiscal year 2017 and prior are presented below:

Hillsboro City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	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	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

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

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Hillsboro City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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 2022	1.92 percent
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 2022	2.27 percent
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, 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.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

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.

Hillsboro City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance:			
National School Lunch Program	10.555		121,860
National School Lunch Program	10.555		753,792
CNP COVID Emergency CST	10.555		27,324
CN COVID Food Pro Manf	10.555		40,646
Total National Lunch Program			<u>943,622</u>
National School Breakfast Program	10.553		251,264
Summer Food Program 2021	10.559		192,760
Summer Food Program 2022	10.559		176,905
Total Summer Food Program			<u>369,665</u>
Total Child Nutrition Cluster			1,564,551
SNAP State/ Local PEBT	10.649		3,063
Total U.S. Department of Agriculture			<u>1,567,614</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Education:</i>			
Title I			
Title I - FY 22	84.010		717,206
Title I - FY 21	84.010		104,419
Expanding Opportunities for Each Child	84.010		9,235
Total Title I			<u>830,860</u>
Special Education Cluster:			
Special Education Grants to States			
IDEA Part B - FY 22	84.027		465,073
IDEA Part B - FY 21	84.027		70,621
IDEA Restoration - FY 21	84.027		5,584
ARP IDEA	84.027X		43,994
Total IDEA Part B			<u>585,272</u>
Preschool Early Childhood - FY 22	84.173		18,197
ARP Early Childhood	84.173X		9,380
Total Preschool Early Childhood			<u>27,577</u>
Total Special Education Cluster			<u>612,849</u>
Title II -A Improving Teacher Quality - FY 22	84.367		69,153
Title II-A Improving Teacher Quality - FY 21	84.367		55,285
Total Title II-A Improving Teacher Quality			<u>124,438</u>
Small, Rural School Achievement Program FY 22	84.358B		7,357
Small, Rural School Achievement Program FY 21	84.358B		56,463
Total Small, Rural School Achievement Program			<u>63,820</u>
Title IV-A Student Support & Academic Enrichment FY22	84.424		5,711
Title IV-A Student Support & Academic Enrichment FY21	84.424		1,604
Total Title IV-A Student Support & Academic Enrichment			<u>7,315</u>
ESSER FY21	84.425D		88,530
ESSER FY22	84.425D		32,239
ESSER II FY22	84.425D		1,090,124
ARP ESSER FY 22	84.425U		2,608,611
ESSER Homeless FY 22	84.425W		27,029
Total ESSER			<u>3,846,533</u>
Total U.S. Department of Education			<u>5,485,815</u>
Total Expenditures of Federal Awards			<u>\$7,053,429</u>

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, 2022**

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 School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School 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 School District transferred the following amounts from 2021 to 2022 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$60,844
Special Education - Grants to States	84.027	\$81,556
Improving Teacher Quality	84.367	\$12,159
Small Rural Achievement Program	84.358	\$65
Title IV -A	84.424A	\$9,617
EOEC	84.010	\$1
ESSER II	84.425D	\$1,284,789
ARP Homeless	84.425W	\$52,806
ARP IDEA	84.027X	\$76,850
ARP ESSER	84.425U	\$2,456,472



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 29, 2023. 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. 87, *Leases* and the School District modified its approach related to the eligibility requirements of certain School District grants.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 29, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hillsboro City School District's, Highland County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Hillsboro City School District's major federal programs for the year ended June 30, 2022. Hillsboro City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Hillsboro City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The School District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2022-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and/or corrective action plan. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 29, 2023

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**HILLSBORO CITY SCHOOL DISTRICT
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	AL# 84.425 Education Stabilization Fund AL# 84.027 and 84.173 Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Procurement/Bidding Requirements

Finding Number:	2022-001
Assistance Listing Number and Title: Fund	84.425 COVID19 Education Stabilization
Federal Award Identification Number / Year:	2022
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Procurement
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

2 CFR § 3474.1 provides the Department of Education (DOE) adopts the Office of Management and Budget (OMB) Guidance in 2 CFR part 200. Thus, this section gives regulatory effect to the OMB guidance and supplements the guidance as needed for the DOE, except as otherwise noted in that section.

2 CFR §200.320(b) states in part that when the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section.

2 CFR § 200.318(e) states to foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal Government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services. Competition requirements will be met with documented procurement actions using strategic sourcing, shared services, and other similar procurement arrangements.

Ohio Rev. Code § 167.081, states that a regional council may enter into a unit price contract for materials, labor, services, overhead, profit, and associated expenses for the repair, enlargement, improvement, or demolition of a building or structure if the contract is awarded pursuant to a competitive bidding procedure of a county, municipal corporation, or township or a special district, school district, or other political subdivision that is a council member.

A political subdivision that is a member of a regional council may participate in a contract entered into under Ohio Rev. Code § 167.081. Purchases under a contract entered into under Ohio Rev. Code § 167.081 are exempt from any competitive selection or bidding requirements otherwise required by law.

The School District participated in The Ohio Purchasing Council's unit price contract with Prodigy Building Solutions, LLC., for the School District's roofing, HVAC, and lighting project, pursuant to Ohio Rev. Code § 167.081. The School District utilized ESSER grant funds for part of this project. The School District did not maintain documentation that the Ohio Purchasing Council followed competitive bidding procedures of a council member pursuant to Ohio Rev. Code §. 167.081 when awarding the unit price contract to Prodigy Building Solutions, LLC. and therefore failed to meet the documentation requirements of 2 CFR § 200.320(b) and 2 CFR § 200.318(e) noted above.

FINDING NUMBER 2022-001
(Continued)

Failure to comply with the applicable Uniform Guidance requirements and the Ohio Revised Code could result in further citations for the School District and potential loss of grant funding.

The School District should review the applicable Uniform Guidance requirements and the Ohio Revised Code before entering into any contracts.

Officials' Response:

See corrective action plan.

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Hillsboro City School District

Tim Davis
Superintendent

39 Willettsville Pike
Hillsboro, OH 45133
Phone # (937) 393-3475
Fax # (937) 393-5841

Ben Teeters
Treasurer

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **June 30, 2022**

Finding Number: 2022-001

Planned Corrective Action: The contract with Prodigy Building Solutions, LLC is in its final stage for completion at this point. Going forward the district will request more documentation from the Ohio Purchasing Council before awarding a future project.

Anticipated Completion Date: November 1, 2023

Responsible Contact Person: Ben Teeters, Treasurer, Hillsboro City School District

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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 4/18/2023

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