



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2023**

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LAWRENCE COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the 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 Rock Hill Local School District, Lawrence County, Ohio (School District), as of and for the year ended June 30, 2023, 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 Rock Hill Local School District, Lawrence County, Ohio as of June 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Elementary and Secondary School Emergency Relief (ESSER) Fund 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.

#### ***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 April 19, 2024, 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  
April 19, 2024

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**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year June 30, 2023*  
*Unaudited*

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The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

***Key financial highlights for fiscal year 2023 are as follows:***

- Net position of governmental activities decreased \$1,346,353.
- General revenues accounted for \$22,914,291 in revenue, or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$6,626,069 or 22 percent of total revenues of \$29,540,360.
- The School District had \$30,886,713 in expenses related to governmental activities; only \$6,626,069 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily taxes and intergovernmental) of \$22,914,291 were sufficient to cover the remaining expenses.
- Total governmental funds had \$30,454,878 in revenues and other financing sources and \$29,385,877 in expenditures and other financing uses. The total governmental fund balance increased \$1,069,001.

## **USING THE BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 11. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the ESSER Special Revenue Fund, and the Permanent Improvements Capital Projects Fund.

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

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

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
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Unaudited

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2023 compared to 2022.

Table 1  
Net Position

	2023	2022
Assets:		
Current and Other Assets	\$ 42,254,011	\$ 39,453,213
Capital Assets, Net	22,735,530	22,711,600
Total Assets	64,989,541	62,164,813
Deferred Outflows of Resources:		
Pensions and OPEB	5,754,570	5,921,035
Total Deferred Outflows of Resources	5,754,570	5,921,035
Liabilities:		
Current and Other Liabilities	3,000,368	2,871,524
Long-Term Liabilities:		
Due Within One Year	59,921	15,000
Due in More than One Year:		
Net Pension Liabilities	21,780,466	13,122,041
Net OPEB Liabilities	1,374,146	1,885,294
Other Amounts	4,719,818	1,655,084
Total Liabilities	30,934,719	19,548,943
Deferred Inflows of Resources:		
Pensions and OPEB	5,173,212	13,265,748
Property Taxes not Levied to Finance the Current Year	9,168,508	8,457,132
Total Deferred Inflows of Resources	14,341,720	21,722,880
Net Position:		
Net Investment in Capital Assets	22,735,530	22,499,935
Restricted	357,720	846,097
Unrestricted	2,374,422	3,467,993
Total Net Position	\$ 25,467,672	\$ 26,814,025

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2023 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

Total net position of the School District as a whole decreased \$1,346,353. The increase to current and other assets is primarily due to increases in cash with the School District at fiscal year-end due to higher revenues received than expenses paid, increases in intergovernmental receivable, taxes receivable and increases in the net OPEB asset. Capital assets, net increased due to current year additions, which was partially offset by current year depreciation expenses. Deferred outflows of resources decreased due to changes in pension and OPEB actuarial calculations. Long-term liabilities increased primarily due to increases in net pension liabilities and compensated absences. Current and other liabilities increased primarily due to increases in accounts payable and accrued wages and benefits. Deferred inflows of resources decreased primarily due to pension/OPEB changes in actuarial calculations.

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year June 30, 2023  
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2023, and comparisons to fiscal year 2022.

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

	Governmental Activities	Governmental Activities
	2023	2022
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$1,701,299	\$1,417,929
Operating Grants and Contributions	4,924,770	5,641,498
Total Program Revenues	<u>6,626,069</u>	<u>7,059,427</u>
General Revenues:		
Property Taxes	9,287,664	8,910,597
Grants and Entitlements not Restricted	12,371,518	12,076,170
Gifts and Donations not Restricted	1,000	15,000
Investment Earnings	774,623	35,859
Miscellaneous	479,486	176,109
Total General Revenues	<u>22,914,291</u>	<u>21,213,735</u>
Total Revenues	<u>29,540,360</u>	<u>28,273,162</u>
<b>Program Expenses</b>		
Instruction:		
Regular	14,015,645	8,970,847
Special	4,229,820	3,217,597
Vocational	293,189	162,911
Other	185,669	994,370
Support Services:		
Pupils	1,234,010	1,435,697
Instructional Staff	873,323	548,877
Board of Education	579,047	710,654
Administration	1,887,916	1,439,317
Fiscal	729,749	600,868
Operation and Maintenance of Plant	2,831,417	3,747,399
Pupil Transportation	1,692,861	1,300,870
Central	117,472	59,459
Operation of Non-Instructional Services	1,224,244	1,064,068
Extracurricular Activities	992,351	880,467
Interest and Fiscal Charges	0	3,972
Total Expenses	<u>30,886,713</u>	<u>25,137,373</u>
Change in Net Position	(1,346,353)	3,135,789
Net Position at Beginning of Year	<u>26,814,025</u>	<u>23,678,236</u>
Net Position at End of Year	<u>\$25,467,672</u>	<u>\$26,814,025</u>

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

Property taxes made up approximately 31 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 59 percent from state foundation, federal, and state grants, and 6 percent from charges for services. Grants and entitlements not restricted increased due to more foundation monies received by the School District. Property taxes increased as a result of public utility monies received during the current year. Charges for services increased due to a increase in tuition and fees received in the current year. Operating grants and contributions decreased primarily due to monies received for Cares Act grants.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

60 percent of the School District's expenses are used to fund instructional expenses. Support services make up 33percent of expenses and 7 percent is used for extracurricular activities and non-instructional services. Overall expenses increased due primarily to pension and OPEB activity.

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

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

	2023 Total Cost of Services	2023 Net Cost of Services	2022 Total Cost of Services	2022 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$14,015,645	\$11,297,781	\$8,970,847	\$6,429,846
Special	4,229,820	2,809,179	3,217,597	1,894,753
Vocational	293,189	278,305	162,911	151,627
Other	185,669	172,012	994,370	925,244
Support Services:				
Pupils	1,234,010	953,719	1,435,697	706,334
Instructional Staff	873,323	826,393	548,877	472,286
Board of Education	579,047	535,800	710,654	657,399
Administration	1,887,916	1,726,175	1,439,317	1,295,518
Fiscal	729,749	683,562	600,868	558,495
Operation and Maintenance of Plant	2,831,417	2,527,825	3,747,399	3,121,998
Pupil Transportation	1,692,861	1,585,296	1,300,870	1,222,924
Central	117,472	104,708	59,459	54,930
Operation of Non-Instructional Services	1,224,244	219,082	1,064,068	73,006
Extracurricular Activities	992,351	540,807	880,467	509,942
Interest and Fiscal Charges	0	0	3,972	3,644
<b>Totals</b>	<b>\$30,886,713</b>	<b>\$24,260,644</b>	<b>\$25,137,373</b>	<b>\$18,077,946</b>

**Rock Hill Local School District, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**THE SCHOOL DISTRICT FUNDS**

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$30,454,878 and expenditures and other financing uses of \$29,385,877.

The fund balance of the General Fund increased \$1,744,911 primarily due to revenues and other financing sources exceeding expenditures and other financing uses. The General Fund had a year end fund balance of \$22,206,171.

The fund balance of the Permanent Improvements Capital Projects Fund increased \$409,497 primarily due to revenues and other financing sources exceeding expenditures. The Permanent Improvement Fund ended the 2023 fiscal year with a fund balance of \$5,496,996.

The fund balance of the ESSER Fund decreased \$543,542 primarily due to expenditures exceeding revenues. The ESSER Fund had a year end fund deficit of \$505,136.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2023, the School District did make some amendments to its General Fund budget. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$24,634,211, which was \$3,071,660 higher than the original estimate. Property tax revenues and intergovernmental revenues final budgets were increased consistent with increases in actual revenues. The final budget basis expenditure estimate of \$25,801,845 was \$949,606 higher than the original budget estimate with decreases in many of the expenditure line items in 2023. However, the overall increase was mostly due to an increase in transfers and advances out that were not on original budget.

The School District's ending unobligated general fund balance was \$20,463,973.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2023, the School District had \$22,735,530 invested in land, constructions in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2023 balances compared to 2022.

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

	Governmental Activities	Governmental Activities
	2023	2022
Land	\$817,657	\$817,657
Construction in Progress	444,406	100,000
Land Improvements	2,346,159	2,406,276
Buildings and Improvements	17,641,660	17,803,969
Furniture, Fixtures, and Equipment	687,003	607,701
Vehicles	798,645	975,997
Totals	\$22,735,530	\$22,711,600

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

***Debt***

At June 30, 2023, the School District had no outstanding debt.

For additional information on long-term obligations, see Note 15 to the basic financial statements.

**CURRENT ISSUES**

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely on local property taxes in which it does not foresee any sustainable growth in revenue after FY23. Thus, management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

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

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

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Chris Robinson, Treasurer at Rock Hill Local School District, 2325A County Road 26, Ironton, Ohio 45638.



**Rock Hill Local School District, Ohio***Statement of Net Position**June 30, 2023*

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 29,916,401
Intergovernmental Receivable	797,495
Taxes Receivable	9,605,246
Noncurrent Assets:	
Nondepreciable Capital Assets	1,262,063
Depreciable Capital Assets, Net	21,473,467
Net OPEB Asset	<u>1,934,869</u>
<i>Total Assets</i>	<u>64,989,541</u>
<b>Deferred Outflows of Resources</b>	
Pension	5,178,507
OPEB	<u>576,063</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,754,570</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	360,438
Accrued Wages and Benefits Payable	2,139,023
Intergovernmental Payable	500,907
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	59,921
Due in More Than One Year	
Net Pension Liability (See Note 12)	21,780,466
Net OPEB Liability (See Note 13)	1,374,146
Other Amounts Due in More Than One Year	<u>4,719,818</u>
<i>Total Liabilities</i>	<u>30,934,719</u>
<b>Deferred Inflows of Resources</b>	
Pension	1,925,330
OPEB	3,247,882
Property Taxes not Levied to Finance Current Year Operations	<u>9,168,508</u>
<i>Total Deferred Inflows of Resources</i>	<u>14,341,720</u>
<b>Net Position</b>	
Net Investment in Capital Assets	22,735,530
Restricted for:	
Debt Service	1,950
Other Purposes	355,770
Unrestricted	<u>2,374,422</u>
<i>Total Net Position</i>	<u>\$ 25,467,672</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$14,015,645	\$602,581	\$2,115,283	(\$11,297,781)
Special	4,229,820	247,354	1,173,287	(2,809,179)
Vocational	293,189	14,884	-	(278,305)
Other	185,669	13,657	-	(172,012)
Support Services:				
Pupils	1,234,010	64,907	215,384	(953,719)
Instructional Staff	873,323	46,034	896	(826,393)
Board of Education	579,047	42,351	896	(535,800)
Administration	1,887,916	118,306	43,435	(1,726,175)
Fiscal	729,749	46,187	-	(683,562)
Operation and Maintenance of Plant	2,831,417	180,452	123,140	(2,527,825)
Pupil Transportation	1,692,861	107,565	-	(1,585,296)
Central	117,472	8,286	4,478	(104,708)
Operation of Non-Instructional Services	1,224,244	12,427	992,735	(219,082)
Extracurricular Activities	992,351	196,308	255,236	(540,807)
<i>Totals</i>	<u>\$30,886,713</u>	<u>\$1,701,299</u>	<u>\$4,924,770</u>	<u>(24,260,644)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				9,287,664
Grants and Entitlements not Restricted to Specific Programs				12,371,518
Gifts and Donations				1,000
Investment Earnings				774,623
Miscellaneous				479,486
<i>Total General Revenues</i>				<u>22,914,291</u>
<i>Change in Net Position</i>				(1,346,353)
<i>Net Position at Beginning of Year</i>				<u>26,814,025</u>
<i>Net Position at End of Year</i>				<u>\$25,467,672</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2023*

	General	Permanent Improvements	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$23,963,354	\$5,496,996	\$0	\$456,051	\$29,916,401
Receivables:					
Property Taxes	9,605,246	0	0	0	9,605,246
Intergovernmental	57,097	0	505,136	235,262	797,495
Interfund	376,024	0	0	0	376,024
Total Assets	<u>\$34,001,721</u>	<u>\$5,496,996</u>	<u>\$505,136</u>	<u>\$691,313</u>	<u>\$40,695,166</u>
<b>Liabilities</b>					
Accounts Payable	\$151,388	\$0	\$156,557	\$52,493	\$360,438
Accrued Wages and Benefits Payable	1,758,804	0	\$74,612	305,607	2,139,023
Interfund Payable	0	0	\$263,445	112,579	376,024
Intergovernmental Payable	401,905	0	\$10,522	88,480	500,907
Total Liabilities	<u>2,312,097</u>	<u>0</u>	<u>505,136</u>	<u>559,159</u>	<u>3,376,392</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes not Levied to Finance Current Year Operations	9,168,508	0	0	0	9,168,508
Unavailable Revenue - Delinquent Taxes	314,945	0	0	0	314,945
Unavailable Revenue - Grants	0	0	505,136	124,218	629,354
Total Deferred Inflows of Resources	<u>9,483,453</u>	<u>0</u>	<u>505,136</u>	<u>124,218</u>	<u>10,112,807</u>
<b>Fund Balances</b>					
Nonspendable	51,444	0	0	0	51,444
Restricted	0	0	0	357,721	357,721
Committed	600,000	0	0	0	600,000
Assigned	3,041,255	5,496,996	0	0	8,538,251
Unassigned (Deficit)	18,513,472	0	(505,136)	(349,785)	17,658,551
Total Fund Balances	<u>22,206,171</u>	<u>5,496,996</u>	<u>(505,136)</u>	<u>7,936</u>	<u>27,205,967</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$34,001,721</u>	<u>\$5,496,996</u>	<u>\$505,136</u>	<u>\$691,313</u>	<u>\$40,695,166</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2023*

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<b>Total Governmental Fund Balances</b>		\$27,205,967
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*Amounts reported for governmental activities in the  
statement of net position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,735,530
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Unavailable Revenue - Delinquent Taxes	314,945	
Unavailable Revenue - Grants	<u>629,354</u>	
		944,299

The net pension/OPEB liability (asset) is not due and payable (receivable) in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB	5,754,570	
Net OPEB Asset	1,934,869	
Deferred inflows of resources related to pensions and OPEB	(5,173,212)	
Net Pension Liability	(21,780,466)	
Net OPEB Liability	<u>(1,374,146)</u>	
		(20,638,385)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	<u>(4,779,739)</u>	<u>(4,779,739)</u>

Net Position of Governmental Activities		<u><u>\$25,467,672</u></u>
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See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2023*

	General	Permanent Improvements	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$9,291,418	\$0	\$0	\$0	\$9,291,418
Intergovernmental	13,031,646	0	1,083,488	2,648,918	16,764,052
Investment Earnings	774,623	0	0	0	774,623
Tuition and Fees	1,007,229	0	0	0	1,007,229
Charges for Services	504,438	0	0	12,427	516,865
Extracurricular	22,788	0	0	154,417	177,205
Donations	0	0	0	1,000	1,000
Miscellaneous	479,486	0	0	0	479,486
<i>Total Revenues</i>	<u>25,111,628</u>	<u>0</u>	<u>1,083,488</u>	<u>2,816,762</u>	<u>29,011,878</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	8,182,679	0	1,568,650	832,250	10,583,579
Special	3,452,557	0	0	601,212	4,053,769
Vocational	197,283	0	0	0	197,283
Other	185,669	0	0	0	185,669
Support Services:					
Pupils	875,347	0	51,318	193,590	1,120,255
Instructional Staff	619,609	0	0	1,200	620,809
Board of Education	578,140	0	0	1,000	579,140
Administration	1,649,342	0	0	73,607	1,722,949
Fiscal	645,608	0	0	0	645,608
Operation and Maintenance of Plant	2,556,224	0	284	139,420	2,695,928
Pupil Transportation	1,519,001	0	0	0	1,519,001
Central	112,242	0	0	5,230	117,472
Operation of Non-Instructional Services	0	0	0	1,129,743	1,129,743
Extracurricular Activities	573,333	0	0	289,562	862,895
Capital Outlay	792,683	590,503	6,778	518,813	1,908,777
<i>Total Expenditures</i>	<u>21,939,717</u>	<u>590,503</u>	<u>1,627,030</u>	<u>3,785,627</u>	<u>27,942,877</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,171,911</u>	<u>(590,503)</u>	<u>(543,542)</u>	<u>(968,865)</u>	<u>1,069,001</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	8,000	1,000,000	0	435,000	1,443,000
Transfers Out	(1,435,000)	0	0	(8,000)	(1,443,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,427,000)</u>	<u>1,000,000</u>	<u>0</u>	<u>427,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,744,911	409,497	(543,542)	(541,865)	1,069,001
<i>Fund Balances at Beginning of Year</i>	<u>20,461,260</u>	<u>5,087,499</u>	<u>38,406</u>	<u>549,801</u>	<u>26,136,966</u>
<i>Fund Balances at End of Year</i>	<u>\$22,206,171</u>	<u>\$5,496,996</u>	<u>(\$505,136)</u>	<u>\$7,936</u>	<u>\$27,205,967</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2023*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$1,069,001
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period:		
Capital Asset Additions	1,908,777	
Depreciation Expense	<u>(1,884,847)</u>	23,930
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes	(3,754)	
Grants	<u>532,236</u>	528,482
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,965,390
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.		(1,823,501)
Compensated absences and accrued interest reported in the statement of net position do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	<u>(3,109,655)</u>	<u>(3,109,655)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>(\$1,346,353)</u></u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
General Fund  
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$8,146,096	\$9,290,301	\$9,290,301	\$0
Intergovernmental	11,437,193	13,043,666	\$13,043,666	0
Investment Earnings	679,220	774,623	\$774,623	0
Tuition and Fees	882,820	1,006,821	\$1,006,821	0
Miscellaneous	417,222	475,825	\$475,825	0
<i>Total Revenues</i>	<u>21,562,551</u>	<u>24,591,236</u>	<u>24,591,236</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,362,906	8,033,705	8,033,705	0
Special	3,602,982	3,461,151	3,461,151	0
Vocational	207,562	199,391	199,391	0
Other	384,676	369,534	369,534	0
Support Services:				
Pupils	930,063	893,453	893,453	0
Instructional Staff	648,571	623,042	623,042	0
Board of Education	1,398,975	1,343,905	1,343,905	0
Administration	1,760,144	1,690,856	1,690,856	0
Fiscal	1,129,158	1,084,710	1,084,710	0
Operation and Maintenance of Plant	3,650,116	3,506,431	3,506,431	0
Pupil Transportation	2,023,421	1,943,769	1,943,769	0
Central	56,518	54,293	54,293	0
Capital Outlay	418	402	402	0
Extracurricular Activities	696,729	669,302	669,302	0
<i>Total Expenditures</i>	<u>24,852,239</u>	<u>23,873,944</u>	<u>23,873,944</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,289,688)</u>	<u>717,292</u>	<u>717,292</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(1,540,000)	(1,540,000)	0
Advances In	0	42,975	42,975	0
Advances Out	0	(387,901)	(376,024)	11,877
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(1,884,926)</u>	<u>(1,873,049)</u>	<u>11,877</u>
<i>Net Change in Fund Balance</i>	<u>(3,289,688)</u>	<u>(1,167,634)</u>	<u>(1,155,757)</u>	<u>11,877</u>
<i>Fund Balance at Beginning of Year</i>	19,969,068	19,969,068	19,969,068	0
Prior Year Encumbrances Appropriated	1,650,662	1,650,662	1,650,662	0
<i>Fund Balance at End of Year</i>	<u>\$18,330,042</u>	<u>\$20,452,096</u>	<u>\$20,463,973</u>	<u>\$11,877</u>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**ESSER Fund**  
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$7,313,256	\$1,788,829	\$1,520,566	(268,263)
<i>Total Revenues</i>	<u>7,313,256</u>	<u>1,788,829</u>	<u>1,520,566</u>	<u>(268,263)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,427,773	1,843,135	1,643,135	200,000
Support Services:				
Pupils	87,384	54,511	54,511	-
Operation and Maintenance of Plant	81,188	284	284	-
Operation of Non-Instructional	7,000	-	-	-
Capital Outlay	4,053,119	-	-	-
<i>Total Expenditures</i>	<u>6,656,464</u>	<u>1,897,930</u>	<u>1,697,930</u>	<u>200,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>656,792</u>	<u>(109,101)</u>	<u>(177,364)</u>	<u>(68,263)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	-	263,445	263,445	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>263,445</u>	<u>263,445</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	656,792	154,344	86,081	(68,263)
<i>Fund Balance at Beginning of Year</i>	(656,017)	(656,017)	(656,017)	-
Prior Year Encumbrances Appropriated	283,506	283,506	283,506	-
<i>Fund Balance at End of Year</i>	<u>284,281</u>	<u>(218,167)</u>	<u>(286,430)</u>	<u>(68,263)</u>

See accompanying notes to the basic financial statements



**Rock Hill Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2023*

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	<u>Custodial Fund</u>
ASSETS:	
Equity in Pooled Cash and Investments	\$ 37,400
LIABILITIES:	
Undistributed Monies	<u>37,400</u>
<i>Total Liabilities</i>	<u><u>\$ 37,400</u></u>

See accompanying notes to the basic financial statements.

**Rock Hill Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2023*

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	<u>Custodial Fund</u>
ADDITIONS:	
Miscellaneous	<u>\$ 63,354</u>
<i>Total Additions</i>	<u>63,354</u>
DEDUCTIONS:	
Payments to Others	<u>48,378</u>
Change in Net Position	14,976
<i>Net Position Beginning of Year</i>	<u>22,424</u>
<i>Net Position End of Year</i>	<u><u>\$ 37,400</u></u>

See accompanying notes to the basic financial statements.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

**Description of the School District**

Rock Hill Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 80 classified employees and 141 certified teaching and administrative personnel who provide services to 1,348 students and other community members.

***Reporting Entity***

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

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

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

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

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

***B. Fund Accounting***

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

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

***General Fund*** The General Fund accounts for and reports all financial resources except those accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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

***ESSER Fund*** The ESSER Special Revenue Fund accounts for and reports financial resources given to address the impact of COVID-19.

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

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

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

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

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

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

During fiscal year 2023, the School District's investments was limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2023 amounted to \$774,623.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

***F. Capital Assets***

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

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

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

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

***G. Internal Activity***

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

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

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

***H. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term notes and capital leases are recognized as a liability on the governmental fund financial statements when due.

***J. Fund Balance***

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

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

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

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



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

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

***K. Interfund Balances***

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

***L. Estimates***

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

***M. Net Position***

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

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

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

***N. Budgetary Process***

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

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

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

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

1. Accountability : At June 30, 2023, the Food Service, Public Preschool, Title VI-B, ESSER, School Improvement, Title I, and Title VI-R special revenue funds had deficit fund balances of \$59,756, \$43,151, \$75,895, \$505,136, \$3,441, \$152,735 and \$14,807 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.
2. Noncompliance – Improper encumbering of funds issues occurred related to both overstated encumbrances due to invalid purchase orders being left open and unrecorded encumbrances at year end due to improper approval process of Then and Now Certificates.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than committed or assigned fund balance (GAAP basis).

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

Net Change in Fund Balance		General	ESSER
GAAP Basis		\$1,744,911	(\$543,542)
Revenue Accruals		159,877	700,523
Expenditure Accruals		(517,351)	215,529
Encumbrances		(2,527,099)	(286,429)
Perspective Difference:			
Activity of Funds Reclassified for GAAP Reporting Purposes		(16,095)	0
Budget Basis		<u>(\$1,155,757)</u>	<u>\$86,081</u>

**NOTE 5 – FUND BALANCES**

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

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

Fund Balances	General Fund	Permanent Improvements Fund	ESSER Fund	Other Governmental Funds	Total
Nonspendable:					
Unclaimed Monies	51,444	0	0	0	51,444
<i>Total Nonspendable</i>	<u>51,444</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,444</u>
Restricted for:					
Classroom Facilities Maintenance	0	0	0	73,403	73,403
Student Wellness and Success	0	0	0	0	0
Other Purposes	0	0	0	282,368	282,368
Debt Service	0	0	0	1,950	1,950
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>357,721</u>	<u>357,721</u>
Committed:					
Termination Benefits	600,000	0	0	0	600,000
Assigned to:					
Capital Improvements	0	5,496,996	0	0	5,496,996
Other Purposes	3,041,255	0	0	0	3,041,255
<i>Total Assigned</i>	<u>3,041,255</u>	<u>5,496,996</u>	<u>0</u>	<u>0</u>	<u>8,538,251</u>
Unassigned (Deficit):	18,513,472	0	(505,136)	(349,785)	17,658,551
<i>Total Fund Balances</i>	<u>\$22,206,171</u>	<u>\$5,496,996</u>	<u>(\$505,136)</u>	<u>\$7,936</u>	<u>\$27,205,967</u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

One of the School District’s financial institutions was enrolled in the Ohio Pooled Collateral System (OPCS) during fiscal year 2023. The other accounts held at the other financial institution were covered thru FDIC coverage.

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

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
<u>Net Asset Value (NAV) Per Share:</u>		
STAROhio	\$ 12,959,891	38.5 days

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

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

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

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, and are collected in 2023 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2023, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2023, was \$121,793 in the General Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is recorded as deferred inflows of resources.

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second- Half Collections		2023 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 123,849,750	29.05%	\$ 152,120,600	33.57%
Public Utility	302,419,930	70.95%	300,987,900	66.43%
Total Assessed Value	\$ 426,269,680	100.00%	\$ 453,108,500	100.00%
Taxrate per \$1,000 of assessed valuation	\$ 22.50		\$ 22.50	

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2023, consisted of property taxes, interfund, and intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Major Funds:	
General Fund	\$57,097
ESSER	\$505,136
Nonmajor Special Revenue Funds:	
High Schools that Work	1,208
School Improvement	47,243
Public Preschool	30,451
Title VI - B	94,774
Title I	50,732
Title VI-R	10,854
Total Nonmajor Special Revenue Funds	<u>235,262</u>
Total Governmental Activities	<u><u>\$797,495</u></u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance at 6/30/22	Additions	Deductions	Balance at 6/30/23
<b>Capital Assets:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	100,000	1,454,673	(1,110,267)	444,406
<b>Total Capital Assets not being Depreciated</b>	<b>917,657</b>	<b>1,454,673</b>	<b>(1,110,267)</b>	<b>1,262,063</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	14,176,505	275,811	(11,744)	14,440,572
Buildings and Improvements	45,542,676	1,110,267	0	46,652,943
Furniture, Fixtures, and Equipment	2,095,435	178,293	0	2,273,728
Vehicles	2,511,143	0	(358,341)	2,152,802
<b>Total Depreciable Capital Assets</b>	<b>64,325,759</b>	<b>1,564,371</b>	<b>(370,085)</b>	<b>65,520,045</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(11,770,229)	(335,928)	11,744	(12,094,413)
Buildings and Improvements	(27,738,707)	(1,272,576)	0	(29,011,283)
Furniture, Fixtures, and Equipment	(1,487,734)	(98,991)	0	(1,586,725)
Vehicles	(1,535,146)	(177,352)	358,341	(1,354,157)
<b>Total Accumulated Depreciation</b>	<b>(42,531,816)</b>	<b>(1,884,847) **</b>	<b>370,085</b>	<b>(44,046,578)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>21,793,943</b>	<b>(320,476)</b>	<b>0</b>	<b>21,473,467</b>
<b>Capital Assets, Net</b>	<b>\$22,711,600</b>	<b>\$1,134,197</b>	<b>(\$1,110,267)</b>	<b>\$22,735,530</b>

The School District's total capital assets being depreciated amount above included \$17,490,896 in fully depreciated capital assets.

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

<b>Instruction:</b>	
Regular	\$1,400,065
Vocational	220
<b>Support Services:</b>	
Board of Education	637
Administration	833
Operation and Maintenance of Plant	103,748
Pupil Transportation	184,762
Operation of Non-Instructional Services	63,035
Extracurricular Activities	131,547
<b>Total Depreciation Expense</b>	<b>\$1,884,847</b>



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**NOTE 10 – INTERFUND ACTIVITY**

***A. Transfers***

For the fiscal year ended June 30, 2023, transfers in and out that resulted from various interfund transactions were as follows:

	Transfer To	Transfer From
<b>General Fund</b>	\$8,000	\$1,435,000
<b>Permanent Improvement Fund</b>	1,000,000	0
<b>Other Governmental Funds:</b>		
Food Service	275,000	0
Athletics	160,000	0
Student Managed Activities	0	8,000
Total Other Governmental Funds	435,000	8,000
Total All Funds	\$1,443,000	\$1,443,000

The General Fund transferred monies to the Permanent Improvement, Food Service, and Athletics funds to subsidize these funds. The Student Managed Activities Fund transferred monies to the Public School Support fund (a General Fund equivalent) for scholarships during 2023.

***B. Interfund Balances***

Interfund balances at June 30, 2023, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
<b>General Fund</b>	\$376,024	\$ -
<b>ESSER</b>	-	263,445
<b>Other Governmental Funds:</b>		
Title I	-	44,701
Voc Ed Enhancements	-	1,208
Title VI-B	-	66,670
Total Other Governmental Funds	-	112,579
Total All Funds	\$376,024	\$376,024

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**NOTE 11 – RISK MANAGEMENT**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2023, the School District contracted with The Argonaut Insurance Group for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$2,500	\$101,794,389
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Employers' Liability:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	3,000,000
Automobile:		
Combined Single Limit	0	1,000,000
Underinsured Motorist	0	100,000
Excess Liability:		
Each Occurrence	0	5,000,000
Aggregate Limit	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from fiscal year 2022.

***B. Workers' Compensation***

For fiscal year 2023, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService provides administrative, cost control, and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

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

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions and OPEB are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

The 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 are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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. In 2022, the Retirement Board approved a 2.5 percent COLA for eligible retirees and beneficiaries in 2023.

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, 2023, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2023.

The District’s contractually required contribution to SERS was \$549,004 for fiscal year 2023. Of this amount \$162,201 is reported as an intergovernmental payable.

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation is 2.2% 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% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until Aug. 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit at any age.

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,491,966 for fiscal year 2023. Of this amount \$243,844 is reported as an intergovernmental payable.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability disclosed as current year below was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0955686%	0.074724600%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0973102%</u>	<u>0.074547573%</u>	
Change in Proportionate Share	<u>-0.0017416%</u>	<u>0.000177027%</u>	
Proportion of the Net Pension Liability	\$5,169,093	\$16,611,373	\$21,780,466
Pension Expense (Gain)	\$361,245	\$1,937,316	\$2,298,561

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$209,352	\$212,647	\$421,999
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	35,682	206,457	242,139
Changes of assumptions	51,004	1,987,882	2,038,886
Differences between projected and actual investment earnings	-	578,039	578,039
School District contributions subsequent to the measurement date	<u>429,004</u>	<u>1,468,440</u>	<u>1,897,444</u>
Total	<u>\$725,042</u>	<u>\$4,453,465</u>	<u>\$5,178,507</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$33,934	\$63,544	\$97,478
Differences between projected and actual investment earnings	180,377	0	180,377
Changes of assumptions	0	1,496,304	1,496,304
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>143,738</u>	<u>7,433</u>	<u>151,171</u>
Total	<u>\$358,049</u>	<u>\$1,567,281</u>	<u>\$1,925,330</u>

\$1,897,444 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, 2024.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	(\$15,908)	\$128,882	\$112,974
2025	(88,189)	38,368	(49,821)
2026	(257,674)	(434,169)	(691,843)
2027	299,760	1,684,663	1,984,423
Total	(\$62,011)	\$1,417,744	\$1,355,733

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, compared with June 30, 2021, are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 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	3.25 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
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – SERS (Continued)**

Mortality rates for 2022 and 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.

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 the 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	-0.45%
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The discount rate for 2021 was 7.0 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.



**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

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

**Actuarial Assumptions – SERS (Continued)**

***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%)
District's proportionate share of the net pension liability	\$7,608,658	\$5,169,093	\$3,113,793

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation compared to those used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50 %	2.50 %
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %	12.50 % at age 20 to 2.50% at age 65
Payroll increases	3.00 %	3.00 %
COLA or Ad Hoc COLA	0.00 %	0.00 %
Discount rate of return	7.00 %	7.00 %
Investment Rate of Return	7.00 percent net of investment expenses, including inflation	7.00 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the June 30, 2021 actuarial valuations, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis. An actuarial experience study is done on a quinquennial basis. 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

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

**Actuarial Assumptions – STRS (Continued)**

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

Asset Class	Target Allocation *	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80 %
Alternatives	19.00	7.38 %
Fixed Income	22.00	1.75 %
Real Estate	10.00	5.75 %
Liquidity Reserves	1.00	1.00 %
Total	<u>100.00 %</u>	

\* Target allocation percentage is effective as of July 1, 2022.  
Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

**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%)
District's proportionate share of the net pension liability	\$25,093,737	\$16,611,373	\$9,437,919

**Changes Between the Measurement Date and the Reporting date** STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**NOTE 13– DEFINED BENEFIT OPEB PLANS**

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

**School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. 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](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, 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 2023, the School District's surcharge obligation was \$67,946.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2023. The District's contractually required contribution to SERS was \$67,946 for fiscal year 2023.

**State Teachers Retirement System of Ohio**

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 Medicare Part B premium reimbursement elimination was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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

**State Teachers Retirement System of Ohio (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All health care plan enrollees 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, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB (asset) liability was measured as of June 30, 2022, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB (asset) liability was based on the 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 (gain):

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB (Asset) Liability - Current Year	0.0978729%	0.074724600%	
Proportionate Share of the Net OPEB (Asset) Liability - Prior Year	<u>0.0996149%</u>	<u>0.074547573%</u>	
Change in Proportionate Share	<u>-0.0017420%</u>	<u>0.000177027%</u>	
Proportion of the Net OPEB Liability	\$1,374,146	\$0	\$1,374,146
Proportion of the Net OPEB (Asset)	\$0	(\$1,934,869)	(\$1,934,869)
OPEB Expense (Gain)	(\$119,528)	(\$355,532)	(\$475,060)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$11,552	\$28,049	\$39,601
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	117,365	9,333	126,698
Changes of assumptions	218,576	82,419	300,995
Differences between projected and actual investment earnings	7,142	33,681	40,823
School District contributions subsequent to the measurement date	<u>67,946</u>	<u>-</u>	<u>67,946</u>
Total	<u>\$422,581</u>	<u>\$153,482</u>	<u>\$576,063</u>
<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$879,004	\$290,579	\$1,169,583
Changes of assumptions	564,096	1,372,008	1,936,104
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>131,261</u>	<u>10,934</u>	<u>142,195</u>
Total	<u>\$1,574,361</u>	<u>\$1,673,521</u>	<u>\$3,247,882</u>

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

\$67,946 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 (adjustment to net OPEB asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2024	(\$280,322)	(\$450,631)	(\$730,953)
2025	(278,177)	(433,949)	(712,126)
2026	(245,643)	(207,410)	(453,053)
2027	(145,909)	(85,937)	(231,846)
2028	(95,859)	(113,053)	(208,912)
Thereafter	(173,816)	(229,059)	(402,875)
Total	(\$1,219,726)	(\$1,520,039)	(\$2,739,765)

**Actuarial Assumptions - SERS**

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

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

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

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

**Actuarial Assumptions – SERS (Continued)**

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

	June 30, 2022	June 30, 2021
Inflation	2.4 percent	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of system expenses	7.00 percent net of system expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)
Municipal Bond Index Rate:	3.69 %	1.92 %
Single Equivalent Interest Rate, Net of Plan Investment Expense, Including		
Price Inflation	4.08 %	2.27 %
Medical Trend Assumption	7.00 to 4.40 %	
Medicare		5.125 to 4.400 %
Pre-Medicare		6.750 to 4.400 %
Fiduciary Net Position to be Depleted	2044	2044

For 2022 and 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.

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 2016 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.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

**Actuarial Assumptions – SERS (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	-0.45%
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27 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, 2022 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 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

**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 (3.08%) and higher (5.08%) than the current discount rate (4.08%).

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
District's proportionate share of the net OPEB liability	\$1,706,710	\$1,374,146	\$1,105,676

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB liability	\$1,059,713	\$1,374,146	\$1,784,846

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

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation and the June 30, 2021 actuarial valuation are presented below:

	June 30, 2022		June 30, 2021	
	Initial	Ultimate	Initial	Ultimate
Projected Salary Increases	Varies by service from 2.5 % to 8.50 %		12.50 % at age 20 to 2.50% at age 65	
Payroll increases	3.00 %		3.00 %	
Discount rate of return	7.00 %		7.00 %	
Investment Rate of Return	7.00 percent net of investment expenses, including inflation		7.00 percent net of investment expenses, including inflation	
Health care cost trends				
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the June 30, 2021 actuarial valuations, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis. 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.

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



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

**Actuarial Assumptions – STRS (Continued)**

Asset Class	Target Allocation *	Long-Term Expected Rate of Return**
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80 %
Alternatives	19.00	7.38 %
Fixed Income	22.00	1.75 %
Real Estate	10.00	5.75 %
Liquidity Reserves	1.00	1.00 %
Total	<u>100.00 %</u>	

\* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022 and was 7.45% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The following table represents the net OPEB liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net OPEB (asset) liability	(\$1,788,735)	(\$1,934,869)	(\$2,060,044)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB (asset) liability	(\$2,006,929)	(\$1,934,869)	(\$1,843,909)

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

**Actuarial Assumptions – STRS (Continued)**

**Assumption Changes Since the Prior Measurement Date** - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

**Benefit Term Changes Since the Prior Measurement Date** - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries.

**NOTE 14 – EMPLOYEE BENEFITS**

**Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Certified employees can accumulate sick leave to a maximum of 380 days, classified employees can accumulate sick leave to a maximum of 350 days. Upon retirement, for certified employees, payment is made for seventy five percent of accrued, but unused sick leave to a maximum of 180 days. For classified employees, payment is made for thirty five percent of accrued but unused sick leave if one has earned 150 days or less. However, if one has earned more than 150 days, then pay out is one hundred percent of their balance up to a maximum of 250 days.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	Deductions	Principal Outstanding 6/30/23	Amount Due in One Year
<b>Governmental Activities:</b>					
Net Pension Liability:					
STRS	9,531,577	7,079,796	0	16,611,373	0
SERS	3,590,464	1,578,629	0	5,169,093	0
Net OPEB Liability:					
STRS	0	0	0 *	0	0
SERS	1,885,294	0	511,148	1,374,146	0
Compensated Absences	1,670,084	3,963,814	854,159	4,779,739	59,921
Total Governmental Activities	<u>\$16,677,419</u>	<u>\$12,622,239</u>	<u>\$1,365,307</u>	<u>\$27,934,351</u>	<u>\$59,921</u>

\* OPEB for STRS has a Net OPEB asset in the amount of \$1,934,869 as of June 30, 2023.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

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

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

The School District's overall legal debt margin was \$40,779,765, with an unvoted debt margin of \$453,109 at June 30, 2023.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$82,285 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District paid \$0 to the Coalition for services provided during the year. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

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

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

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

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

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

**NOTE 18 - CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2023.

***B. Litigation***

The School District is not party to legal proceedings.

***C. Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2023 were finalized and determined to not be significant, therefore the adjustments were not recorded in the accompanying financial statements.

**NOTE 19 – SET ASIDE CALCULATIONS**

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

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**NOTE 19 – SET ASIDE CALCULATIONS (Continued)**

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

	Capital Improvements
Set-Aside Balance as of as of June 30, 2022	\$0
Current Year Set-Aside Requirement	285,989
Current Year Offsets	0
Qualifying Expenditures	(285,989)
Totals	\$0
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2023	\$0

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

**NOTE 20 – COMMITMENTS**

***Encumbrances***

At June 30, 2023, the School District had significant encumbrance commitments in the following governmental funds:

Fund	Amount
Major Funds:	
General	\$2,527,099
Permanent Improvement	182,071
ESSER	286,429
Non-Major Funds:	
Classroom Facilities Maintenance	67,736
Food Service	177,845
Total Non-Major Funds	245,581
Total Encumbrances	\$3,241,180

**NOTE 21 - NEW ACCOUNTING PRINCIPLES**

For fiscal year 2023, the School District has implemented GASB Statement No. 91, “*Conduit Debt Obligations*”, GASB Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, GASB Statement No. 96, “*Subscription Based Information Technology Arrangements*”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “*Omnibus 2022*”.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the School District.

**Rock Hill Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**NOTE 21 - NEW ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the School District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the School District.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

**NOTE 22 – SUBSEQUENT EVENT**

On July 17, 2023, the School District Board of Education awarded a bid for \$1,122,929 to Astro Turf Corporation for turf installation on the baseball field.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.0955686%	0.0973102%	0.0933815%	0.0868711%	0.0806409%	0.0863550%	0.0845477%	0.0783962%	0.0778900%	0.0778900%
School District's proportionate share of the net pension liability	\$ 5,169,093	\$ 3,590,464	\$ 6,176,449	\$ 5,197,650	\$ 4,618,454	\$ 5,159,520	\$ 6,188,112	\$ 4,473,363	\$ 3,941,969	\$ 4,631,868
School District's covered payroll	\$ 3,570,029	\$ 2,916,436	\$ 2,833,079	\$ 2,876,859	\$ 2,728,511	\$ 2,579,650	\$ 2,778,686	\$ 2,360,061	\$ 2,263,326	\$ 2,138,143
School District's proportionate share of the net pension liability as a percentage of its covered payroll	144.79%	123.11%	218.01%	180.67%	169.27%	200.01%	222.70%	189.54%	174.17%	216.63%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability	0.074724600%	0.074547573%	0.07405417%	0.07216296%	0.07225159%	0.07163167%	0.07293134%	0.07058663%	0.06960531%	0.06960531%
School District's proportionate share of the net pension liability	\$ 16,611,373	\$ 9,531,577	\$ 17,918,474	\$ 15,958,405	\$ 15,886,502	\$ 17,016,257	\$ 24,412,318	\$ 19,508,080	\$ 16,930,420	\$ 20,167,406
School District's covered-employee payroll	\$ 9,567,786	\$ 9,571,029	\$ 8,792,400	\$ 8,472,214	\$ 8,293,200	\$ 8,052,686	\$ 7,636,457	\$ 7,364,536	\$ 7,111,962	\$ 7,412,615
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.62%	99.59%	203.80%	188.36%	191.56%	211.31%	319.68%	264.89%	238.06%	272.07%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%

See notes to accompanying required supplementary information.



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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 549,004	\$ 499,804	\$ 408,301	\$ 396,631	\$ 388,376	\$ 368,349	\$ 361,151	\$ 389,016	\$ 311,056	\$ 313,697
Contributions in relation to the contractually required contribution	<u>(549,004)</u>	<u>(499,804)</u>	<u>(408,301)</u>	<u>(396,631)</u>	<u>(388,376)</u>	<u>(368,349)</u>	<u>(361,151)</u>	<u>(389,016)</u>	<u>(311,056)</u>	<u>(313,697)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 3,921,457	\$ 3,570,029	\$ 2,916,436	\$ 2,833,079	\$ 2,876,859	\$ 2,728,511	\$ 2,579,650	\$ 2,778,686	\$ 2,360,061	\$ 2,263,326
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,491,966	\$ 1,339,490	\$ 1,339,944	\$ 1,230,936	\$ 1,186,110	\$ 1,161,048	\$ 1,127,376	\$ 1,069,104	\$ 1,031,035	\$ 924,555
Contributions in relation to the contractually required contribution	<u>(1,491,966)</u>	<u>(1,339,490)</u>	<u>(1,339,944)</u>	<u>(1,230,936)</u>	<u>(1,186,110)</u>	<u>(1,161,048)</u>	<u>(1,127,376)</u>	<u>(1,069,104)</u>	<u>(1,031,035)</u>	<u>(924,555)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 10,656,900	\$ 9,567,786	\$ 9,571,029	\$ 8,792,400	\$ 8,472,214	\$ 8,293,200	\$ 8,052,686	\$ 7,636,457	\$ 7,364,536	\$ 7,111,962
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.0978729%	0.0996149%	0.0930935%	0.08734760%	0.08757275%	0.08749330%	0.08569280%
School District's proportionate share of the net OPEB liability	\$ 1,374,146	\$ 1,885,294	\$ 2,023,226	\$ 2,196,608	\$ 2,429,505	\$ 2,348,090	\$ 2,442,562
School District's covered payroll	\$ 3,570,029	\$ 2,916,436	\$ 2,833,079	\$ 2,876,859	\$ 2,728,511	\$ 2,579,650	\$ 2,778,686
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.49%	64.64%	71.41%	76.35%	89.04%	91.02%	87.90%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%	13.57%	12.46%	11.49%

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

See notes to accompanying required supplementary information.

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

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
School District's proportion of the net OPEB liability (asset)	0.074724600%	0.074547573%	0.07405417%	0.07216296%	0.07225159%	0.07163167%	0.07293134%
School District's proportionate share of the net OPEB liability (asset)	\$ (1,934,869)	\$ (1,571,774)	\$ (1,301,501)	\$ (1,195,192)	\$ (1,161,009)	\$ 2,794,803	\$ 3,900,387
School District's covered payroll	\$ 9,567,786	\$ 9,571,029	\$ 8,792,400	\$ 8,472,214	\$ 8,293,200	\$ 8,052,686	\$ 7,636,457
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-20.22%	-16.42%	-14.80%	-14.11%	-14.00%	34.71%	51.08%
Plan fiduciary net position as a percentage of the total OPEB liability	230.73%	174.73%	182.13%	174.74%	176.00%	47.11%	37.33%

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

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 67,946	\$ 64,700	\$ 60,647	\$ 41,793	\$ 60,416	\$ 60,425	\$ 47,052	\$ 43,417
Contributions in relation to the contractually required contribution	<u>(67,946)</u>	<u>(64,700)</u>	<u>(60,647)</u>	<u>(41,793)</u>	<u>(60,416)</u>	<u>(60,425)</u>	<u>(47,052)</u>	<u>(43,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 3,921,457	\$ 3,570,029	\$ 2,916,436	\$ 2,833,079	\$ 2,876,859	\$ 2,728,511	\$ 2,579,650	\$ 2,778,686
Contributions as a percentage of covered payroll	1.73%	1.81%	2.08%	1.48%	2.10%	2.21%	1.82%	1.56%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 10,656,900	\$ 9,567,786	\$ 9,571,029	\$ 8,792,400	\$ 8,472,214	\$ 8,293,200	\$ 8,052,686	\$ 7,636,457
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**Pension**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2023: For fiscal year 2023, SERS changed from a Cost of Living Adjustment (COLA) of 2.0% to 2.5%.

2022: For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

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

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

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

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

Changes in assumptions

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2022: The assumed rate of inflation was reduced from 3.00% to 2.40%, the assumed real wage growth was increased from 0.50% to 0.85%, the cost-of-living adjustments were reduced from 2.50% to 2.00%, the discount rate was reduced from 7.50% to 7.00%, the rates of withdrawal, compensation, participation, spouse coverage assumption, retirement, and disability were updated to reflect recent experience, and mortality among active members, service retirees and beneficiaries and disabled members were updated.

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

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

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**Pension** (continued)

**State Teachers Retirement System (STRS)**

Changes in benefit terms

2019-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.

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

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

Changes in assumptions

2023: The following change of assumptions affected the total pension liability since the prior measurement date:

- (1) The projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%.
- (2) Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

2022: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.45% to 7.00%,
- (2) The discount rate of return was reduced from 7.45% to 7.00%,

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

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

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

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

**OPEB**

**School Employees Retirement System (SERS)**

Changes in benefit terms

2017-2023: There were no changes in benefit terms from the amounts reported for these fiscal years.



**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**OPEB (continued)**

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

Changes in assumptions

2023 Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The municipal bond index rate went from 1.92% to 3.69%
- (2) The single equivalent interest rate when from 2.27% to 4.08% medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%

2022 Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Wage inflation decreased from 3.00% to 2.40%
- (2) Payroll Growth Assumption was reduced from 3.50% to 1.75%
- (3) Assumed real wage growth was increased from 0.50% to 0.85%
- (4) Investment rate of return decreased from 7.50% to 7.00%
- (4) The discount rate decreased from 2.63% to 2.27%
- (5) Municipal Bond Index Rate:
  - Prior Measurement Date 2.45%
  - Measurement Date 1.92%
- (6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 2.63%
  - Measurement Date 2.27%
- (7) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- (8) Rate of health care participation for future retirees and spouses was updated to reflect recent experience.
- (9) Mortality among active members was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Employee mortality table.Mortality among service retired members was updated to the following:
  - a. 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% for males and set forward 2 years and adjusted 81.35% for females.Mortality among beneficiaries was updated to the following:
  - a. PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females.Mortality among disabled member was updated to the following:
  - a. PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.Mortality rates are projected using a fully generational projection with Scale MP-2020

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

- (1) The discount rate was changed from 3.22% to 2.63%
- (2) Municipal Bond Index Rate:
  - Prior Measurement Date 3.13%
  - Measurement Date 2.45%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 3.22%
  - Measurement Date 2.63%

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**OPEB (continued)**

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

Changes in assumptions (continued)

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) The discount rate was changed from 3.70% to 3.22%
- (2) Municipal Bond Index Rate
  - Prior Measurement Date 3.62%
  - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation
  - Prior Measurement Date 3.70%
  - Measurement Date 3.22%

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

- (1) The discount rate was changed from 3.63% to 3.70%
- (2) Municipal Bond Index Rate:
  - Prior Measurement Date 3.56%
  - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
  - Prior Measurement Date 3.63%
  - Measurement Date 3.70%

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

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

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

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

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**OPEB (continued)**

**State Teachers Retirement System (STRS)**

Changes in benefit terms

2023: There were no changes in benefit terms from the amounts reported for this fiscal year.

2022: There was no change to the claims costs process. 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.

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

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

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

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

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

Changes in assumptions

2023: The projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50%. The health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate. Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

2022: The long-term expected rate of return was reduced from 7.45% to 7.00%. The discount rate was reduced from 7.45% in the prior year to 7.00% in the current year. The health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

**Rock Hill Local School District, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**OPEB (continued)**

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

Changes in assumptions (continued)

2021: The health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

2020: The health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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

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

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

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Grant Year</b>	<b>Provided Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Ohio Department of Education</b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2022-2023	\$ -	\$ 19,260
Cash Assistance:				
National School Lunch Program	10.555	2022-2023		490,828
COVID-19 National School Lunch Program		2022-2023		38,256
Total National School Lunch Program				<u>548,344</u>
School Breakfast Program	10.553	2022-2023		262,628
Total School Breakfast Program				<u>262,628</u>
Total Child Nutrition Cluster				810,972
COVID-19 Pandemic EBT Administrative Costs	10.649	2022-2023		3,135
Total U.S. Department of Agriculture				<u>814,107</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Ohio Department of Education</b>				
Title I-A Improving Basic Programs	84.010A	2022 2023		23,003 732,226
Expanding Opportunities for Each Child		2022 2023		14,003 24,437
Title I-D Delinquent		2023		49,916
Title I-A School improvement		2023		44,701
Total Title I Grants to Local Educational Agencies				<u>888,286</u>
Special Education Cluster:				
Special Education Grants to States	84.027A	2023		331,320
COVID-19 Special Education to States	84.027X	2023		73,421
Total Special Education Grants to States				<u>404,741</u>
Special Education Preschool Grants	84.173A	2022 2023		3,725 3,200
COVID-19 Special Education Preschool Grants	84.173X	2023		4,066
Total Special Education Preschool Grants				<u>10,991</u>
Total Special Education Cluster				415,732
Rural Education	84.358B	2022 2023		3,200 36,654
Total Rural Education				<u>39,854</u>
Supporting Effective Instruction State Grants	84.367A	2022 2023		6,598 75,396
Total Supporting Effective Instruction State Grants				<u>81,994</u>
Student Support and Academic Enrichment Program	84.424A	2022 2023		2,052 21,363
Total Student Support and Academic Enrichment Program				<u>23,415</u>
COVID-19 Education Stabilization Fund	84.425D	2022 2023		17,477 953,016
	84.425U	2022 2023		70,946 359,597
Total COVID-19 Education Stabilization Fund				<u>1,401,036</u>
Total U.S. Department of Education				2,850,317
<b>U.S. DEPARTMENT OF TREASURY</b>				
<b>Passed Through Ohio Office of Budget and Management</b>				
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	2023		5,659
Total U.S. Department of Treasury				5,659
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 3,670,083</b>

The accompanying notes are an integral part of this schedule.

**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Rock Hill Local School District (the School District's) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**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 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
COVID-19 Special Education to States	84.027X	\$ 7,388
COVID-19 Special Education Preschool Grants	84.173X	\$ 3,725

# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with 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 Rock Hill Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2023, 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 April 19, 2024.

### ***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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

### ***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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

***School District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***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  
April 19, 2024



# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

### Report on Compliance for Each Major Federal Program

#### ***Qualified and Unmodified Opinions***

We have audited Rock Hill Local School District's, Lawrence 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 Rock Hill Local School District's major federal programs for the year ended June 30, 2023. Rock Hill Local School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings.

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

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, Rock Hill Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2023.

#### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Rock Hill Local 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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying schedule of findings for the year ended June 30, 2023.

#### ***Basis for Qualified and Unmodified Opinions***

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 qualified and unmodified opinions 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.

*Matter Giving Rise to Qualified Opinion on Child Nutrition Cluster*

As described as finding 2023-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding procurement applicable to its AL #10.553/10.555 Child Nutrition Cluster major federal program.

Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

***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.

### **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 2023-002 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 responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and corrective action plan. The School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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  
April 19, 2024

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**ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinions</b>	Qualified – Child Nutrition Cluster  Unmodified – COVID-19 Education Stabilization Fund  Unmodified - Special Education Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	COVID-19 Education Stabilization Fund – Federal AL- #84.425D&U  Child Nutrition Cluster – Federal AL # 10.553/10.555  Special Education Cluster – Federal AL # 84.027A&X / 84.173A & X
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**FINDING NUMBER 2023-001**

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

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.41(D)(1)** provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District Board of Education can authorize the drawing of a warrant for the payment of the amount due. The School District Board of Education has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The School District Board of Education may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, we found the following areas of concern related to encumbering:

1. 19 of the 29 (Total of \$89,550) super blankets tested were not closed out at year end.

**FINDING NUMBER 2023-001  
(Continued)**

2. There were also four instances (Total of \$205,305) where the Then & Now certificates were issued that exceeded \$3,000 but they were not approved by the Board; thus, the Then & Now certificates were not valid and resulted in unrecorded encumbrances.
3. There were also fourteen (Total \$1,191,085) outstanding purchase orders that were over one year old and were considered to no longer be valid.

All of these issues caused the School District to be noncompliant with the above section of code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The School District should review all purchase orders near year end and close out any open ones prior to year end that are no longer valid. Also, if Then and Now Certificates are used for expenditures over \$3,000, they should be approved by the Board of Education.

**Officials' Response:**

See Corrective Action Plan.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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**1. Procurement**

<b>Finding Number:</b>	<b>2023-002</b>
<b>Assistance Listing Number and Title :</b>	<b>AL # 10.553/10.555 – Child Nutrition Cluster</b>
<b>Federal Award Identification Number / Year:</b>	<b>2023</b>
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance Requirement :</b>	<b>Procurement</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

**2 CFR § 400.1** gives regulatory effect for the U.S. Department of Agriculture to the OMB guidance in **2 CFR § 200**.

**2 CFR § 200.317 - 200.327** requires entities to use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR Part 200. A non-Federal entity must:

**FINDING NUMBER 2023-002**  
**(Continued)**

1. Meet the general procurement standards in 2 CFR 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR 200.319.
3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a)(1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed \$10,000 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold (\$250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR 200.320(b)).
4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR 200.320(b); the competitive proposals method under the conditions specified in 2 CFR 200.320(b)(2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR 200.320(c).
5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR 200.324(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR 200.324(d)).
6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326. These provisions are described in Appendix II to 2 CFR Part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

The School District paid more than \$250,000 to Valley Wholesale during fiscal year 2023 for food products for the Child Nutrition Cluster. This amount exceeded the simplified acquisition threshold thus the District should follow a formal competitive procurement method described in 2 CFR 200.320(b). However, the School District did not follow a formal procurement method because they chose to use this local vendor (Valley Wholesale) to allow them to get their fresh produce in a timely manner to avoid food waste.

The School District did not have the proper internal controls in place to ensure proper bidding procedures were followed. Failure to have the appropriate controls in place may result in vendors being used that are not providing the best possible prices. The School District should follow their established procurement policies and federal guidelines when choosing all vendors for the Child Nutrition Cluster.

**Officials' Response:**

See Corrective Action Plan.





# Rock Hill Local School District

## •Board Of Education•

### **CORRECTIVE ACTION PLAN** **2 CFR § 200.511(c)** **June 30, 2023**

<b>Finding Number:</b>	2023-001
<b>Planned Corrective Action:</b>	The School District will monitor purchase orders in a more timely fashion and close out those that are considered invalid. Also, if Then and Now Certificates are utilized that exceed \$3,000, they will be Board approved.
<b>Anticipated Completion Date:</b>	April 30, 2024
<b>Responsible Contact Person:</b>	Thomas C. Robinson, Treasurer
<b>Finding Number:</b>	2023-002
<b>Planned Corrective Action:</b>	The School District will follow proper procurement procedures related to food purchases.
<b>Anticipated Completion Date:</b>	April 30, 2024
<b>Responsible Contact Person:</b>	Thomas C. Robinson, Treasurer



# OHIO AUDITOR OF STATE KEITH FABER



**ROCK HILL LOCAL SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/2/2024**

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

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