



OHIO AUDITOR OF STATE
KEITH FABER



**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Hamilton City School District
Butler County
533 Dayton Street
Hamilton, Ohio 45011

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton City School District, Butler County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 17 to the financial statements, during fiscal year 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio
June 30, 2022

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Hamilton City School District
Statement of Net Position - Cash Basis
June 30, 2021

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$50,666,641</u>
Total Assets	<u>50,666,641</u>
Net Cash Position:	
Restricted for:	
Debt Service	4,771,312
Capital Projects	142,541
Classroom Facilities Maintenance	5,962,521
Extracurricular Activities	293,171
Auxiliary Services	191,258
State Funded Programs	50,023
Federally Funded Programs	228,649
Food Service	3,005,748
Student activities	102,797
Scholarships	96,187
Other Purposes	131,684
Unrestricted	<u>35,690,750</u>
Total Net Cash Position	<u>\$50,666,641</u>

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$57,395,090	\$608,261	\$3,987,959	(\$52,798,870)
Special	20,420,160	171,847	13,447,694	(6,800,619)
Vocational	168,463	516	203,507	35,560
Student Intervention Services	517,161	6,197	104	(510,860)
Adult/Continuing	322,600	0	328,347	5,747
Support Services:				
Pupil	9,074,015	74,377	2,837,740	(6,161,898)
Instructional Staff	4,841,999	44,540	1,092,975	(3,704,484)
General Administration	410,458	4,920	0	(405,538)
School Administration	7,147,904	75,798	682,196	(6,389,910)
Fiscal	1,219,388	13,669	251,495	(954,224)
Business	493,647	5,871	33,302	(454,474)
Operations and Maintenance	10,081,510	111,917	456,744	(9,512,849)
Pupil Transportation	5,299,734	58,585	495,355	(4,745,794)
Central	831,693	7,632	50,777	(773,284)
Operation of Non-Instructional Services	5,846,458	47,589	4,685,367	(1,113,502)
Extracurricular Activities	1,540,152	320,674	0	(1,219,478)
Debt Service:				
Payments to Refunded Bond Escrow Agent	35,375,410	0	0	(35,375,410)
Principal Retirement	5,050,000	0	0	(5,050,000)
Interest and Fiscal Charges	2,203,301	0	0	(2,203,301)
Bond Issuance Cost	285,359	0	0	(285,359)
Total Governmental Activities	\$168,524,502	\$1,552,393	\$28,553,562	(138,418,547)

General Receipts:	
Property Taxes Levied for:	
General Purposes	18,119,182
Special Revenue Purposes	340,031
Debt Service Purposes	6,752,358
Capital Projects Purposes	2,900,994
Grants and Entitlements, Not Restricted	72,213,490
Unrestricted Contributions	44,792
Investment Earnings	342,201
Payments in Lieu of Taxes	697,087
Sale of Refunding Bonds	29,380,000
Premium on Refunding	6,280,769
Other Receipts	1,685,832
Total General Receipts	138,756,736
Change in Net Cash Position	338,189
Net Cash Position - Beginning of Year, Restated	50,328,452
Net Cash Position - End of Year	\$50,666,641

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$31,613,162	\$5,962,521	\$13,090,958	\$50,666,641
Total Assets	31,613,162	5,962,521	13,090,958	50,666,641
Fund Cash Balances:				
Nonspendable	31,700	0	0	31,700
Restricted	0	5,962,521	9,013,370	14,975,891
Committed	0	0	3,919,166	3,919,166
Assigned	2,778,499	0	158,422	2,936,921
Unassigned	28,802,963	0	0	28,802,963
Total Fund Cash Balances	\$31,613,162	\$5,962,521	\$13,090,958	\$50,666,641
Total Liabilities, Deferred Inflows and Fund Balances	\$31,613,162	\$5,962,521	\$13,090,958	\$50,666,641

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Taxes	\$18,119,182	\$340,031	\$9,653,352	\$28,112,565
Tuition and Fees	1,198,937	0	0	1,198,937
Investment Earnings	316,531	9,878	15,792	342,201
Intergovernmental	82,254,622	251,495	18,260,935	100,767,052
Extracurricular Activities	35,914	0	264,371	300,285
Charges for Services	109,262	0	47,110	156,372
Payments in Lieu of Taxes	697,087	0	0	697,087
Other Receipts	1,504,688	0	122,735	1,627,423
Total Receipts	104,236,223	601,404	28,364,295	133,201,922
Cash Disbursements:				
Current:				
Instruction:				
Regular	51,341,762	0	6,053,328	57,395,090
Special	14,531,085	0	5,889,075	20,420,160
Vocational	43,030	0	125,433	168,463
Student Intervention Services	517,017	0	144	517,161
Adult/Continuing	0	0	322,600	322,600
Support Services:				
Pupil	6,409,240	0	2,664,775	9,074,015
Instructional Staff	3,744,000	0	1,097,999	4,841,999
General Administration	410,458	0	0	410,458
School Administration	6,407,919	0	739,985	7,147,904
Fiscal	1,153,296	3,052	63,040	1,219,388
Business	493,376	0	271	493,647
Operations and Maintenance	9,404,350	0	677,160	10,081,510
Pupil Transportation	4,936,569	0	363,165	5,299,734
Central	770,530	0	61,163	831,693
Operation of Non-Instructional Services	43,933	0	5,802,525	5,846,458
Extracurricular Activities	1,213,436	0	326,716	1,540,152
Debt Service:				
Principal Retirement	0	0	5,050,000	5,050,000
Interest and Fiscal Charges	0	0	2,203,301	2,203,301
Bond Issuance Cost	0	0	285,359	285,359
Total Cash Disbursements	101,420,001	3,052	31,726,039	133,149,092
Excess of Receipts Over (Under) Cash Disbursements	2,816,222	598,352	(3,361,744)	52,830
Other Financing Sources (Uses):				
Payments to Refunded Bond Escrow Agent	0	0	(35,375,410)	(35,375,410)
Sale of Refunding Bonds	0	0	29,380,000	29,380,000
Premium on Refunding	0	0	6,280,769	6,280,769
Advances In	0	0	3,444,355	3,444,355
Advances (Out)	(3,444,355)	0	0	(3,444,355)
Transfers In	0	0	100,000	100,000
Transfers (Out)	(100,000)	0	0	(100,000)
Total Other Financing Sources (Uses)	(3,544,355)	0	3,829,714	285,359
Net Change in Fund Cash Balance	(728,133)	598,352	467,970	338,189
Fund Cash Balance - Beginning of Year, Restated	32,341,295	5,364,169	12,622,988	50,328,452
Fund Cash Balance - End of Year	\$31,613,162	\$5,962,521	\$13,090,958	\$50,666,641

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Budgetary Basis Receipts:				
Property and Other Taxes	\$16,907,978	\$16,907,978	\$18,119,182	\$1,211,204
Tuition and Fees	1,118,792	1,118,792	1,198,937	80,145
Investment Earnings	308,926	308,926	331,056	22,130
Intergovernmental	76,078,871	76,078,871	81,528,783	5,449,912
Payments in Lieu of Taxes	650,489	677,209	697,087	19,878
Other Receipts	1,393,772	1,393,772	1,493,615	99,843
Total Budgetary Basis Receipts	96,458,828	96,485,548	103,368,660	6,883,112
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	48,954,085	52,157,204	51,461,990	695,214
Special	13,846,817	14,752,829	14,556,186	196,643
Vocational	40,933	43,611	43,030	581
Student Intervention Services	504,906	559,056	530,772	28,284
Support Services:				
Pupil	6,024,047	6,418,207	6,332,657	85,550
Instructional Staff	5,206,921	5,547,615	5,473,670	73,945
General Administration	401,553	427,827	422,124	5,703
School Administration	6,106,718	6,506,288	6,419,564	86,724
Fiscal	1,109,370	1,181,958	1,166,203	15,755
Business	656,402	699,351	690,029	9,322
Operations and Maintenance	9,227,314	9,831,067	9,700,027	131,040
Pupil Transportation	4,833,371	5,149,623	5,080,983	68,640
Central	616,531	656,872	648,116	8,756
Operation of Non-Instructional Services	57,076	60,811	60,000	811
Extracurricular Activities	1,168,570	1,245,031	1,228,436	16,595
Total Budgetary Basis Disbursements	98,754,614	105,237,350	103,813,787	1,423,563
Excess of Budgetary Basis Receipts Over (Under)				
Budgetary Basis Disbursements	(2,295,786)	(8,751,802)	(445,127)	8,306,675
Other Financing Sources (Uses):				
Advances (Out)	(3,879,726)	(4,133,580)	(4,078,483)	55,097
Transfers (Out)	(95,127)	(101,351)	(100,000)	1,351
Total Other Financing Sources (Uses)	(3,974,853)	(4,234,931)	(4,178,483)	56,448
Net Change in Fund Balance	(6,270,639)	(12,986,733)	(4,623,610)	8,363,123
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	32,537,698	32,537,698	32,537,698	0
Fund Balance End of Year	\$26,267,059	\$19,550,965	\$27,914,088	\$8,363,123

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2021

	Classroom Facilities Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Budgetary Basis Receipts:				
Property and Other Taxes	\$375,618	\$375,618	\$340,031	(\$35,587)
Investment Earnings	10,912	10,912	9,878	(1,034)
Intergovernmental	277,816	277,816	251,495	(26,321)
Total Budgetary Basis Receipts	<u>664,346</u>	<u>664,346</u>	<u>601,404</u>	<u>(62,942)</u>
Budgetary Basis Disbursements:				
Current:				
Support Services:				
Fiscal	0	3,052	3,052	0
Total Budgetary Basis Disbursements	<u>0</u>	<u>3,052</u>	<u>3,052</u>	<u>0</u>
Net Change in Fund Balance	664,346	661,294	598,352	(62,942)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>5,364,170</u>	<u>5,364,170</u>	<u>5,364,170</u>	<u>0</u>
Fund Balance End of Year	<u>\$6,028,516</u>	<u>\$6,025,464</u>	<u>\$5,962,522</u>	<u>(\$62,942)</u>

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2021

	Custodial Fund
Additions:	
Extracurricular collections for OHSAA	\$1,875
Total Additions	1,875
Deductions:	
Extracurricular distributions to OHSAA	1,875
Total Deductions	1,875
Change in Net Cash Position	0
Net Cash Position - Beginning of Year	0
Net Cash Position - End of Year	\$0

See accompanying notes to the basic financial statements.

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

Note 1 - Description Of The School District And Reporting Entity

The Hamilton City School District, Butler County, Ohio (the "School District"), is a political body incorporated and 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 is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The Hamilton City School District is governed by a locally elected, five member Board of Education (the Board), which provides educational services.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Hamilton City School District, this includes general operations, food service 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 one governed organizations and two insurance purchasing pool. These organizations include the Southwest Ohio Computer Association, Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program, and Butler Health Plan. These organizations are presented in Note 12 to the basic financial statements.

Note 2 - Summary Of Significant Accounting Policies

As discussed further in the Basis of Accounting Section of Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. 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.

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

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 fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, does not have any activities which are presented as business-type.

The Statement of Net Position presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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 rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Maintenance Fund – A fund to account for the proceeds of a levy for the maintenance of facilities.

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

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net cash position and changes in net cash 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 used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Custodial funds account for monies held on behalf of others that do not meet the definition of a trust fund. The District's custodial fund accounts for athletic tournament monies collected and distributed on behalf of the Ohio High School Athletics Association.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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 on the amended certificate of estimated resources that were in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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, including all supplemental appropriations.

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

Cash and Investments

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

During fiscal year 2021, the School District invested in Negotiable Certificates of Deposit, Municipal Bonds, Commercial Paper, Money Market accounts, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

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

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 \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2021 were \$316,531, \$9,878 in the Classroom Facilities Maintenance Fund and \$15,792 was to Other Governmental Funds.

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

Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and may include portions for postretirement health care benefits.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Cash Balance

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

Non-spendable

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

Restricted

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

Committed

The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed 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 use in satisfying those contractual requirements.

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

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. These amounts are assigned by the School District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 – Fund Cash Balances

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

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

Fund Balances	General	Classroom Facilities Maintenance	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Funds	\$31,700	\$0	\$0	\$31,700
Total Nonspendable	31,700	0	0	31,700
Restricted for:				
Debt Service	0	0	4,771,312	4,771,312
Permanent Improvement	0	0	142,541	142,541
Classroom Facilities Maintenance	0	5,962,521	0	5,962,521
Miscellaneous State Grants	0	0	50,023	50,023
Adult Basic Education Fund	0	0	10,822	10,822
Title VI-B	0	0	9,349	9,349
Title III	0	0	7,606	7,606
Title I	0	0	106,974	106,974
Improving Teacher Quality Fund	0	0	302	302
Food Service Fund	0	0	3,005,748	3,005,748
TV Hamilton Fund	0	0	87,667	87,667
Title I School Improvement	0	0	12,493	12,493
Special Trust	0	0	96,187	96,187
Student Managed Activity	0	0	102,797	102,797
ESSER	0	0	81,103	81,103
Other Grants Fund	0	0	44,017	44,017
District Managed Student Activity	0	0	293,171	293,171
Auxiliary Services	0	0	191,258	191,258
Total Restricted	0	5,962,521	9,013,370	14,975,891
Committed to:				
Permanent Improvement Fund	0	0	3,919,166	3,919,166
Total Committed	0	0	3,919,166	3,919,166
Assigned to:				
Capital Projects Fund	0	0	158,422	158,422
Encumbrances	2,631,790	0	0	2,631,790
Public School	146,709	0	0	146,709
Total Assigned	2,778,499	0	158,422	2,936,921
Unassigned	28,802,963	0	0	28,802,963
Total Fund Cash Balance	\$31,613,162	\$5,962,521	\$13,090,958	\$50,666,641

Note 4 - Budgetary Basis Of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and Classroom Facilities and Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General and Classroom Facilities Maintenance Funds.

	General	Classroom Facilities Maintenance
Cash Basis	(\$728,133)	\$598,352
Revenue Accruals	(2,035,509)	0
Expenditure Accruals	1,399,788	0
Advances Out	(634,128)	0
Encumbrances	(2,631,790)	0
Funds Budgeted Elsewhere	6,162	0
Budget Basis	<u>(\$4,623,610)</u>	<u>\$598,352</u>

Note 5 - 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.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in 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); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Deposits

Custodial credit risk for deposits 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. As of June 30, 2021, \$984,449 of the School District's bank balance of \$1,379,996 was exposed to custodial credit risk because it was uninsured and collateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

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

Investments

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

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
STAR Ohio	\$30,465,895	N/A	0.15
Negotiable CD's	8,080,308	Level 2	0.56
Municipal Bonds	5,520,686	Level 2	1.38
Commercial Paper	2,998,240	Level 2	0.39
Money Market Funds	2,533,865	N/A	0.00
Total Fair Value	\$49,598,994		
Portfolio Weighted Average Maturity			0.36

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2021. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk:

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The School District's investments in Commercial Paper were rated A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. Investments in Municipal Bonds were rated AA and Aa2 by Standard & Poor's and Moody's Investor Services. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Money Market Funds and Negotiable CD's are not rated.

Concentration of Credit Risk:

The School District's investment policy allows investments in Federal Agencies or Instrumentalities. The School District has invested 16% in Negotiable CD's, 11% in Municipal Bonds, 6% in Commercial Paper, 62% in STAR Ohio and 5% of the School District's investments in Money Market Funds.

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

Custodial Credit Risk:

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 registered in the name of the School District.

Note 6 - 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 and public utility property located in the School District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2021 taxes were collected are:

Tax Value Type	2020 1st Half Value	Percent of Tax Base	Eff. Tax Rate	2021 1st Half Value	Percent of Tax Base	Eff. Tax Rate
Real Estate-Res/Agr	\$605,717,070	76.22%	36.05%	\$702,817,410	75.02%	33.18%
Real Estate-Com/Ind	191,659,200	23.12%	43.02%	227,852,620	24.32%	39.38%
Public Utility-RE	326,130	0.04%	43.02%	285,870	0.03%	39.38%
Public Utility-Personal	5,130,120	0.62%	53.31%	5,927,390	0.63%	52.81%
Total	<u>\$802,832,520</u>	<u>100.00%</u>		<u>\$936,883,290</u>	<u>100.00%</u>	

Note 7 - Risk Management

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. During fiscal year 2021, the School District was a member of the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program.

During fiscal year 2021, the School District, along with other school districts and educational service centers in Ohio, participated in the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program (Insurance Program), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement and its premium is based on types

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

of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Insurance Program (See Note 12). The School District contracts their liability insurance through the Insurance Program.

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

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If 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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy

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

The School District's contractually required contribution to SERS was \$2,170,324 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

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

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

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

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

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

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

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

Funding Policy

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

The School District's contractually required contribution to STRS was \$7,406,664 for fiscal year 2021.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$27,765,782	\$105,803,147	\$133,568,929
Proportion of the Net Pension Liability:			
Current Measurement Date	0.41978980%	0.43726738%	
Prior Measurement Date	<u>0.44025760%</u>	<u>0.44252416%</u>	
Change in Proportionate Share	-0.02046780%	-0.00525678%	

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

Hamilton City School District
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employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Discount Rate

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

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$38,035,731	\$27,765,782	\$19,149,099

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$150,645,262	\$105,803,147	\$67,803,190

Note 9 - Defined Benefit OPEB Plans

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability or asset because of the use of the cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$273,090.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$273,090 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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Funding Policy

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

Net OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$9,200,166	\$0	\$9,200,166
Proportionate Share of the Net Pension (Asset)	0	(7,684,971)	(7,684,971)
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.42332170%	0.43726738%	
Prior Measurement Date	<u>0.44788040%</u>	<u>0.44252416%</u>	
Change in Proportionate Share	-0.02455870%	-0.00525678%	

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.

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Proportionate share of the net OPEB liability	\$11,260,775	\$9,200,166	\$7,561,986
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$7,244,431	\$9,200,166	\$11,815,485

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Actuarial Assumptions - STRS

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

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

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

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

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

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

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

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

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

Discount Rate

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

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$6,686,422)	(\$7,684,971)	(\$8,532,197)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$8,479,607)	(\$7,684,971)	(\$6,716,978)

Since the Prior Measurement Date

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

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Note 10 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Certain employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. All unused vacation, up to a balance not greater than three years accrual, may be carried forward to the succeeding fiscal year. Sick leave may be accumulated up to a maximum of 295-300 days for classified employees and 300 days for certified employees. Upon retirement, payment is made for one-fourth of accrued sick leave for the first 150 days accrued sick leave and one-half of the next 135 days of accrued sick leave paid at their daily rate upon retirement for classified and certified employees.

Life Insurance, Dental Care and Vision Care

Life Insurance is provided by the School District to most employees through Southwest Ohio Purchasing Council. Dental Insurance is provided by the School District to most employees through Butler Health Plan. Vision Insurance is provided by the School District to most employees through a self-insured plan that is administered by Allied Benefits.

Deferred Compensation Plan

School District employees may elect to participate in a variety of deferred compensation plans. The District offers a voluntary 403b plan, 457 plan and The Ohio Public Employees Deferred Compensation Plan which is also a 457 plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Note 11 – Debt

Long-Term Obligations

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due In One Year
2021 Refunding Bonds - Current Interest Bonds	\$0	\$27,435,000	(\$460,000)	\$26,975,000	\$355,000
2021 Refunding Bonds - CAB Principal	0	1,945,000	0	1,945,000	0
2021 Refunding Bonds - CAB Accreted Interest	0	0	178,721	178,721	0
Premium on Refunding Bonds	0	6,280,769	(628,077)	5,652,692	0
2015 G.O. Refunding Bonds	59,040,000	0	(31,815,000)	27,225,000	4,820,000
Premium on Refunding Bonds	7,845,422	0	(4,314,982)	3,530,440	0
Total	<u>\$66,885,422</u>	<u>\$35,660,769</u>	<u>(\$37,039,338)</u>	<u>\$65,506,853</u>	<u>\$5,175,000</u>

Refunding Bonds

On August 18, 2020 the District issued \$29,380,000 in Capital Appreciation and Serial Bonds with an average interest rate of 4.00% which was used to partial refund \$27,225,000 of the outstanding 2015 Refunding Bonds with an interest rate of 5.00%. The net proceeds of \$35,375,410 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government

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securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$27,225,000 of the outstanding 2015 Refunding Bonds are considered to be defeased.

The District partial refund \$27,225,000 of the outstanding 2015 Refunding Bonds to reduce its total debt service payments by \$5,872,723 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,926,908.

Principal and interest requirements to retire long-term debt outstanding at June 30, 2021, are as follows:

Year	Refunding Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$5,175,000	\$2,262,794	\$7,437,794	\$0	\$0	\$0
2023	5,460,000	2,001,344	7,461,344	0	0	0
2024	5,760,000	1,725,369	7,485,369	0	0	0
2025	6,215,000	1,435,144	7,650,144	0	0	0
2026	2,885,000	1,198,419	4,083,419	1,945,000	1,720,000	3,665,000
2027-2030	28,705,000	2,765,428	31,470,428	0	0	0
Total	<u>\$54,200,000</u>	<u>\$11,388,498</u>	<u>\$65,588,498</u>	<u>\$1,945,000</u>	<u>\$1,720,000</u>	<u>\$3,665,000</u>

Note 12 - Jointly Governed Organizations/Insurance Purchasing Pools

Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$483,046 for membership and services during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program:

The School District participates in the Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program (Insurance Program), a self-funded insurance purchasing pool. The Insurance Program was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Insurance Program is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Insurance Program to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The Insurance Program's business and affairs are conducted by a 6 member Board of Directors consisting of school district superintendents, business managers and treasurers. The Insurance Plan has an agreement with Arthur J. Gallagher Risk Management Services, Inc. to provide underwriting, claims management, risk

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

management, accounting, system support services, sales and marketing for the Insurance Program. Arthur J. Gallagher Risk Management Services, Inc. also coordinates reinsurance brokerage services for the Insurance Program.

Butler Health Plan:

For fiscal year 2021, the School District participated in the Butler Health Plan, a shared risk pool consisting of 9 area school districts, 2 Career Development School Districts, and an Educational Service Center. The School District pays monthly premiums to Butler Health Plan for employee medical and dental benefits. Butler Health is responsible for the management and operations of the program. Upon withdrawal from the Butler Health Plan, a participant is responsible for all claims that exceed the expected claims for that district for a defined period of time.

Note 13 - Set-Aside Calculations

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

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

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of	
June 30, 2020	\$0
Current Fiscal Year Set-aside Requirement	1,714,907
Qualifying Disbursements	(1,176,740)
Current Fiscal Year Offsets	<u>(538,167)</u>
Totals	<u><u>\$0</u></u>
Set-aside Balance Carried Forward to	
Future Fiscal Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2021	<u><u>\$0</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced capital improvements amounts below zero. The extra amount for capital improvements may not be used to reduce the set-aside requirements in future fiscal years.

Note 14 – Contingencies

Grants

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

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

Litigation

The School District is not currently a party to any legal proceedings.

School Foundation

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

Note 15 – Interfund Balances and Transfers

Transfers

During fiscal year 2021, the following transfers were made:

	Transfers	
	In	Out
General Fund	\$0	(\$100,000)
Other Governmental Funds	100,000	0
Total All Funds	<u>\$100,000</u>	<u>(\$100,000)</u>

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the Major Special Revenue Fund and other nonmajor governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects.

Interfund Balances

During the fiscal year 2021, following advances were made:

	Advances	
	In	Out
General Fund	\$0	(\$3,444,355)
Other Governmental Funds	3,444,355	0
Total All Funds	<u>\$3,444,355</u>	<u>(\$3,444,355)</u>

All advances are expected to be repaid within one year.

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

Note 16 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 17 – Implementation of New Accounting Principles and Restatement of Net Position/Fund Balance

New Accounting Principles

For fiscal year 2021, the School District implemented GASB Statement No. 84, Fiduciary Activities and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and GASB Statements No. 61.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

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

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

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

Restatement of Fund Cash Balance/Net Cash Position

The implementation of GASB 84 had the following effect on fund cash balance as reported at June 30, 2020:

	Other Governmental Funds
	<u> </u>
Fund Cash Balance, June 30, 2020	\$12,435,485
Adjustments-Presentation Changes:	
GASB Statement No. 84	<u>187,503</u>
Restated Fund Cash Balance, June 30, 2020	<u><u>\$12,622,988</u></u>

The implementation of the GASB 84 pronouncement had the following effect on the net cash position as reported at June 30, 2020:

	Governmental Activities
	<u> </u>
Net Cash Position, June 30, 2020	\$50,140,949
Adjustments-Presentation Changes:	
GASB Statement No. 84	<u>187,503</u>
Restated Net Cash Position, June 30, 2020	<u><u>\$50,328,452</u></u>

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2020, agency funds reported assets and net cash position of \$91,684. Also, related to the implementation of GASB Statement No. 84, the entity will no longer be reporting private purpose trust funds. At June 30, 2020, private purpose funds reported a net position of \$95,819.

Note 18 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 19 – Subsequent Events

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school.

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**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$ 176,971
Cash Assistance:			
National School Lunch Program	10.555	3L60	1,824,492
COVID-19 National School Lunch Program	10.555	3L60	165,255
Total National School Lunch Program			<u>1,989,747</u>
School Breakfast Program	10.553	3L70	1,008,953
COVID-19 School Breakfast Program	10.553	3L70	96,963
Total School Breakfast Program			<u>1,105,916</u>
Total Child Nutrition Cluster			<u>3,272,634</u>
Child and Adult Care Food Program	10.558	3L80	1,832
COVID-19 Child and Adult Care Food Program	10.558	3L80	2,025
Total Child and Adult Food Program			<u>3,857</u>
Total U.S. Department of Agriculture			<u>3,276,491</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027	3M20	2,467,198
Special Education - 6B IDEA Restoration	84.027A	3M20	15,436
Special Education - Preschool Grants	84.173	3C50	100,794
Special Education - Preschool Restoration	84.173A	3C50	444
Total Special Education Cluster			<u>2,583,872</u>
Disaster Recovery Assistance for Education	84.938	3HF0	1,686
Comprehensive Literacy Development	84.371	3FE0	12,387
Adult Education - Basic Grants to States	84.002	3120	458,516
Title I Grants to Local Educational Agencies	84.010	3M00	4,024,715
Supporting Effective Instruction State Grants	84.367	3Y60	400,754
Student Support and Academic Enrichment Program	84.424	3H10	282,242
English Language Acquisition State Grants	84.365	3Y70	106,847
Education for Homeless Children and Youth	84.196	3EJ0	74,864
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	3HS0	3,154,522
Total U.S. Department of Education			<u>11,100,405</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>Passed Through Ohio Department of Education:</i>			
COVID-19 Coronavirus Relief Fund	21.019	5CV1	683,726
Total U.S. Department of the Treasury			<u>683,726</u>
Total Expenditures of Federal Awards			<u>\$ 15,060,622</u>

See accompanying notes to the schedule of expenditures of federal awards.

**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hamilton City School District (the School District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position.

NOTE B –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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

Hamilton City School District
Butler County
533 Dayton Street
Hamilton, Ohio 45011

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton City School District, Butler County, (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 30, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
June 30, 2022



**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**

Hamilton City School District
Butler County
533 Dayton Street
Hamilton, Ohio 45011

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Hamilton City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Hamilton City School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Programs

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

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio
June 30, 2022

**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Elementary and Secondary School Emergency Relief Fund (ESSER) Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

FINDING NUMBER 2021-001
(Continued)

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Ohio Rev. Code §117.38; Ohio Admin. Code 117-2-03(B) – requires the School District to file annual financial reports which are prepared using GAAP	Not Corrected	Reissued as Finding 2021-001

533 Dayton Street, P.O. Box 627
Hamilton, OH 45012
513-887-5000
513-868-4475 Fax

Robert A. Hancock
Treasurer

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2021

Finding Number: 2021-001

Planned Corrective Action: The District reluctantly eliminated the GAAP statements as part of the multi-million dollar budget reduction in fiscal year 2011.

Anticipated Completion Date: Not applicable

Responsible Contact Person: The official responsible for completing the corrective action is listed below:

Robert Hancock
Hamilton City School District Treasurer
Phone: (513) 887-5000
Email: rhancock@hcsdoh.org

533 Dayton Street, P.O. Box 627
Hamilton, OH 45012
513-887-5000
513-868-4475 Fax

Robert A. Hancock
Treasurer
rhancock@hcsdoh.org

OHIO AUDITOR OF STATE KEITH FABER



HAMILTON CITY SCHOOL DISTRICT

BUTLER 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 7/19/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov