



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY  
JUNE 30, 2022**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis .....	5
Statement of Activities – Cash Basis .....	6
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds .....	7
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Cash Basis Governmental Funds .....	8
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund .....	9
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund .....	10
Notes to the Basic Financial Statements .....	11
Schedule of Expenditures of Federal Awards .....	41
Notes to the Schedule of Expenditures of Federal Awards .....	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	45
Schedule of Findings.....	49
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	51
Corrective Action Plan .....	53

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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 Audit of the Financial Statements***

#### ***Opinions***

We have audited 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, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter - Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the 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 of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the District's basic financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
July 12, 2023

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Hamilton City School District  
Statement of Net Position - Cash Basis  
June 30, 2022

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	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$59,306,589
Total Assets	<u>59,306,589</u>
Net Cash Position:	
Restricted for:	
Debt Service	5,021,735
Capital Projects	142,541
Classroom Facilities Maintenance	6,568,490
Extracurricular Activities	326,264
Auxiliary Services	288,853
State Funded Programs	256,641
Federally Funded Programs	820,946
Food Service	5,277,010
Student activities	80,639
Scholarships	93,458
Other Purposes	128,732
Unrestricted	<u>40,301,280</u>
Total Net Cash Position	<u>\$59,306,589</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, 2022

	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
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$54,761,519	\$262,407	\$21,170,123	(\$33,328,989)
Special	21,487,014	65,372	13,432,177	(7,989,465)
Vocational	127,203	0	120,000	(7,203)
Student Intervention Services	451,722	1,817	1,091,455	641,550
Adult/Continuing	336,197	0	332,186	(4,011)
Support Services:				
Pupil	8,924,312	37,858	979,454	(7,907,000)
Instructional Staff	4,992,604	15,405	873,399	(4,103,800)
General Administration	1,229,459	4,950	0	(1,224,509)
School Administration	7,669,553	26,830	693,165	(6,949,558)
Fiscal	1,677,946	6,152	250,883	(1,420,911)
Business	675,664	1,617	32,528	(641,519)
Operations and Maintenance	10,764,608	40,822	66,211	(10,657,575)
Pupil Transportation	6,049,393	23,488	380,768	(5,645,137)
Central	779,040	2,953	33,294	(742,793)
Operation of Non-Instructional Services	6,454,136	151,208	8,368,574	2,065,646
Extracurricular Activities	2,028,139	580,693	0	(1,447,446)
Capital Outlay	270,139	0	0	(270,139)
Debt Service:				
Principal Retirement	5,175,000	0	0	(5,175,000)
Interest and Fiscal Charges	2,255,694	0	0	(2,255,694)
<b>Totals</b>	<b>\$136,109,342</b>	<b>\$1,221,572</b>	<b>\$47,824,217</b>	<b>(87,063,553)</b>
General Receipts:				
Property Taxes Levied for:				
				17,796,290
				337,507
				6,832,357
				3,488,699
				65,582,908
				41,497
				233,975
				716,041
				674,227
				<u>95,703,501</u>
				8,639,948
				<u>50,666,641</u>
				<u>\$59,306,589</u>

See accompanying notes to the basic financial statements.

Hamilton City School District  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2022

	General	Classroom Facilities Maintenance	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$35,908,330	\$6,568,490	\$2,946	\$16,826,823	\$59,306,589
<b>Total Assets</b>	<b>35,908,330</b>	<b>6,568,490</b>	<b>2,946</b>	<b>16,826,823</b>	<b>59,306,589</b>
<b>Fund Cash Balances:</b>					
Nonspendable	35,460	0	0	0	35,460
Restricted	0	6,568,490	2,946	12,433,873	19,005,309
Committed	0	0	0	4,218,167	4,218,167
Assigned	2,848,942	0	0	174,783	3,023,725
Unassigned	33,023,928	0	0	0	33,023,928
<b>Total Fund Cash Balances</b>	<b>\$35,908,330</b>	<b>\$6,568,490</b>	<b>\$2,946</b>	<b>\$16,826,823</b>	<b>\$59,306,589</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$35,908,330</b>	<b>\$6,568,490</b>	<b>\$2,946</b>	<b>\$16,826,823</b>	<b>\$59,306,589</b>

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, 2022

	General	Classroom Facilities Maintenance	ESSER	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property and Other Taxes	\$17,796,290	\$337,507	\$0	\$10,321,056	\$28,454,853
Tuition and Fees	383,328	0	0	0	383,328
Investment Earnings	170,041	21,702	0	42,232	233,975
Intergovernmental	79,509,009	250,883	15,848,901	17,798,333	113,407,126
Extracurricular Activities	153,982	0	0	421,295	575,277
Charges for Services	107,223	0	0	147,074	254,297
Payments in Lieu of Taxes	716,041	0	0	0	716,041
Other Receipts	259,321	0	0	465,072	724,393
<b>Total Receipts</b>	<b>99,095,235</b>	<b>610,092</b>	<b>15,848,901</b>	<b>29,195,062</b>	<b>144,749,290</b>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	38,546,130	0	13,988,964	2,226,425	54,761,519
Special	16,235,959	0	0	5,251,055	21,487,014
Vocational	0	0	0	127,203	127,203
Student Intervention Services	451,329	0	0	393	451,722
Adult/Continuing	0	0	0	336,197	336,197
<b>Support Services:</b>					
Pupil	8,110,952	0	183,575	629,785	8,924,312
Instructional Staff	3,825,995	0	0	1,166,609	4,992,604
General Administration	1,229,459	0	0	0	1,229,459
School Administration	6,663,610	0	0	1,005,943	7,669,553
Fiscal	1,527,896	4,123	0	145,927	1,677,946
Business	401,621	0	0	274,043	675,664
Operations and Maintenance	10,139,193	0	13,700	611,715	10,764,608
Pupil Transportation	5,837,957	0	0	211,436	6,049,393
Central	732,723	0	0	46,317	779,040
Operation of Non-Instructional Services	72,612	0	34,097	6,347,427	6,454,136
Extracurricular Activities	1,365,938	0	0	662,201	2,028,139
Capital Outlay	0	0	0	270,139	270,139
<b>Debt Service:</b>					
Principal Retirement	0	0	0	5,175,000	5,175,000
Interest and Fiscal Charges	0	0	0	2,255,694	2,255,694
<b>Total Cash Disbursements</b>	<b>95,141,374</b>	<b>4,123</b>	<b>14,220,336</b>	<b>26,743,509</b>	<b>136,109,342</b>
<b>Excess of Receipts Over (Under) Cash Disbursements</b>	<b>3,953,861</b>	<b>605,969</b>	<b>1,628,565</b>	<b>2,451,553</b>	<b>8,639,948</b>
<b>Other Financing Sources (Uses):</b>					
Advances In	4,078,482	0	1,528,903	2,208,273	7,815,658
Advances (Out)	(3,737,175)	0	(3,235,625)	(842,858)	(7,815,658)
<b>Total Other Financing Sources (Uses)</b>	<b>341,307</b>	<b>0</b>	<b>(1,706,722)</b>	<b>1,365,415</b>	<b>0</b>
<b>Net Change in Fund Cash Balance</b>	<b>4,295,168</b>	<b>605,969</b>	<b>(78,157)</b>	<b>3,816,968</b>	<b>8,639,948</b>
<b>Fund Cash Balance - Beginning of Year</b>	<b>31,613,162</b>	<b>5,962,521</b>	<b>81,103</b>	<b>13,009,855</b>	<b>50,666,641</b>
<b>Fund Cash Balance - End of Year</b>	<b>\$35,908,330</b>	<b>\$6,568,490</b>	<b>\$2,946</b>	<b>\$16,826,823</b>	<b>\$59,306,589</b>

See accompanying notes to the basic financial statements.

Hamilton City School District  
Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Fund  
June 30, 2022

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	Custodial Fund
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$0
Total Assets	0
Net Cash Position:	
Restricted for:	
Individuals, Organizations, and Other Governments	0
Total Net Cash Position	\$0

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, 2022

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	Custodial Fund
Additions:	
Extracurricular collections for OHSAA	\$4,033
Total Additions	4,033
Deductions:	
Extracurricular distributions to OHSAA	4,033
Total Deductions	4,033
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, 2022**

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**Note 1 - Description Of The School District And Reporting Entity**

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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 organization and two insurance purchasing pools. These organizations are 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 11 to the basic financial statements.

**Note 2 - Summary Of Significant Accounting Policies**

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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, 2022**

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*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.

ESSER Fund – A fund used to provide emergency relief grants to school districts related to the COVID-19 pandemic. Restrictions include, but are not limited to, providing for coordination of preparedness and



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

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response efforts, training and professional development of staff, planning and coordination during long-term closure, and purchasing technology for students.

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

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School 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 School 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.

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

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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.

**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 2022, 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 \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2022 were \$170,041, \$21,702 in the Classroom Facilities Maintenance Fund and \$42,232 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.

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

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**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.

**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 7 and 8, 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 paid. Since recording a capital asset (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

**Leases**

For fiscal year 2022, GASB Statement No. 87, "Leases" was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The School District is the lessor/lessee in various leases related to buildings, vehicles and other equipment under noncancelable leases. Lease receivables/payables are not reflected under the School District's modified cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

**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.

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

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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.

*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.

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

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

<u>Fund Balances</u>	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>ESSER</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Unclaimed Funds	\$35,460	\$0	\$0	\$0	\$35,460
Total Nonspendable	35,460	0	0	0	35,460
Restricted for:					
Classroom Facilities Maintenance	0	6,568,490	0	0	6,568,490
ESSER	0	0	2,946	0	2,946
Debt Service	0	0	0	5,021,735	5,021,735
Permanent Improvement	0	0	0	142,541	142,541
Other Grants	0	0	0	39,268	39,268
District Managed Student Activity	0	0	0	326,264	326,264
Auxiliary Services	0	0	0	288,853	288,853
Miscellaneous State Grants	0	0	0	256,641	256,641
Adult Basic Education Fund	0	0	0	6,312	6,312
Governor's Education Emergency Relief	0	0	0	3,437	3,437
Title VI-B	0	0	0	198,272	198,272
Title III	0	0	0	67,754	67,754
Title I	0	0	0	451,698	451,698
Title VI-B Preschool	0	0	0	11,808	11,808
Improving Teacher Quality	0	0	0	69,237	69,237
Food Service	0	0	0	5,277,010	5,277,010
TV Hamilton	0	0	0	89,464	89,464
Title I School Improvement	0	0	0	9,482	9,482
Special Trust	0	0	0	93,458	93,458
Student Managed Activity	0	0	0	80,639	80,639
Total Restricted	0	6,568,490	2,946	12,433,873	19,005,309
Committed to:					
Permanent Improvement Fund	0	0	0	4,218,167	4,218,167
Total Committed	0	0	0	4,218,167	4,218,167
Assigned to:					
Capital Projects Fund	0	0	0	174,783	174,783
Encumbrances	840,210	0	0	0	840,210
Public School	144,520	0	0	0	144,520
Budgetary Resource	1,864,212	0	0	0	1,864,212
Total Assigned	2,848,942	0	0	174,783	3,023,725
Unassigned	33,023,928	0	0	0	33,023,928
Total Fund Cash Balance	\$35,908,330	\$6,568,490	\$2,946	\$16,826,823	\$59,306,589

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

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**Note 4 - Deposits and Investments**

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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;
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;

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

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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, 2022, \$958,693 of the School District's bank balance of \$1,234,645 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.

**Investments**

As of June 30, 2022, the School District had the following investments:

Investment Type	Fair Value	Fair Value Hierachy	Weighted Average Maturity (Years)
STAR Ohio	\$39,055,950	N/A	0.10
Commercial Paper	9,706,778	Level 2	0.29
Municipal Bonds	5,045,634	Level 2	0.46
Negotiable CD's	3,180,515	Level 2	1.08
Money Market Funds	1,290,312	N/A	0.00
Total Fair Value	\$58,279,189		
Portfolio Weighted Average Maturity			0.48

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

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The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. 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 School District's recurring fair value measurements as of June 30, 2022. 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 5% in Negotiable CD's, 9% in Municipal Bonds, 16% in Commercial Paper, 66% in STAR Ohio and 2% of the School District's investments in Money Market Funds.

*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 5 - Property Taxes**

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



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

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value listed as of January 1, 2021, 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 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2022 taxes were collected are:

Tax Value Type	2021 1st	Percent	Eff. Tax	2022 1st	Percent	Eff. Tax
	Half Value	of Tax		Half Value	of Tax	
		Base	Rate		Base	Rate
Real Estate-Res/Agr	\$702,817,410	75.02%	33.18%	\$703,995,700	74.65%	32.95%
Real Estate-Com/Ind	227,852,620	24.32%	39.38%	228,927,720	24.28%	38.87%
Public Utility-RE	285,870	0.03%	39.38%	403,167	0.04%	38.87%
Public Utility-Personal	5,927,390	0.63%	52.81%	9,721,910	1.03%	52.56%
Total	<u>\$936,883,290</u>	<u>100.00%</u>		<u>\$943,048,497</u>	<u>100.00%</u>	

**Note 6 - Risk Management**

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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 2022, the School District was a member of the Southwestern Ohio Educational Purchasing Council's Liability, Fleet and Property Insurance Program.

During fiscal year 2022, 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 of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Insurance Program (See Note 11). 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.

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

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**Note 7 - Defined Benefit Pension Plans**

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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 8 for the required OPEB disclosures.

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

**Plan Description**

School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits,

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

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and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.50% and with a floor of 0.00%. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.50% COLA for calendar year 2021 and 2.50% for 2022.

**Funding Policy**

Plan members are required to contribute 10.00% of their annual covered salary and the School District is required to contribute 14.00% 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 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$2,304,283 for fiscal year 2022.

**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

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

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report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% 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 0.00% 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 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 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% of the 14.00% 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% of the 14.00% 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, 12.00% of the 14.00% member rate is deposited into the member's DC account and the remaining 2.00% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

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

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service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Funding Policy**

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14.00% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$8,524,896 for fiscal year 2022.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$16,571,060	\$56,303,283	\$72,874,343
Proportion of the Net Pension Liability:			
Current Measurement Date	0.44911550%	0.44035452%	
Prior Measurement Date	<u>0.41978980%</u>	<u>0.43726738%</u>	
Change in Proportionate Share	0.02932570%	0.00308714%	

**Actuarial Assumptions - SERS**

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

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

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

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

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.40%	3.00%
Future Salary Increases, including inflation	3.25% to 13.58%	3.50% to 18.20%
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	2.50%
Investment Rate of Return	7.00% net of system expenses	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120.00% of male rates, and 110.00% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90.00% for male rates and 100.00% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

**Discount Rate**

The total pension liability for 2021 was calculated using the discount rate of 7.00%. The discount rate for 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$27,570,173	\$16,571,060	\$7,295,026

**Actuarial Assumptions - STRS**

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

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

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Inflation	2.50%	2.50%
Projected Salary Increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00% net of investments expense, including inflation	7.45% net of investments expense, including inflation
Discount Rate of Return	7.00%	7.45%
Payroll Increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%	0.00%

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% 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 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021, and was 7.45% 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



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

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current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**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 7.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$105,434,977	\$56,303,283	\$14,787,108

**Changes Between the Measurement Date and the Reporting date**

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

**Note 8 - Defined Benefit OPEB Plans**

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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.

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

**Health Care Plan Description**

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The

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

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financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

**Funding Policy**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14.00% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.00% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$290,182.

The surcharge, added to the allocated portion of the 14.00% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$290,182 for fiscal year 2022.

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

**Plan Description**

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

**Funding Policy**

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14.00% of covered payroll. For the fiscal year ended June 30, 2022, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School

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

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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 OPEB Liability	\$8,676,659	\$0	\$8,676,659
Proportionate Share of the Net OPEB (Asset)	0	(9,284,515)	(9,284,515)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.45845620%	0.44035452%	
Prior Measurement Date	<u>0.42332170%</u>	<u>0.43726738%</u>	
Change in Proportionate Share	0.03513450%	0.00308714%	

**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.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

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

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

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.30% for males and set forward 3 years and adjusted 106.80% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.50% for males and adjusted 122.50% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120.00% of male rates and 110.00% of female rates. RP-2000 Disabled Mortality Table with 90.00% for male rates and 100.00% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2020. The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, 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.

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

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

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

**Discount Rate**

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

**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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

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

	1% Decrease 1.27%	Current Discount Rate 2.27%	1% Increase 3.27%
Proportionate share of the net OPEB liability	\$10,751,431	\$8,676,659	\$7,019,184
	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	\$6,680,317	\$8,676,659	\$11,343,160

**Actuarial Assumptions - STRS**

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

	June 30, 2021	June 30, 2020
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.00%
Discount Rate of Return	7.00%	7.45%
Health Care Cost Trends:		
Medical		
Pre-Medicare	5.00% initial, 4.00% ultimate	5.00% initial, 4.00% ultimate
Medicare	-16.18% initial, 4.00% ultimate	-6.69% initial, 4.00% ultimate
Prescription Drug		
Pre-Medicare	6.50% initial, 4.00% ultimate	6.50% initial, 4.00% ultimate
Medicare	29.98% initial, 4.00% ultimate	11.87% initial, 4.00% 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 50.00% of rates through age 69, 70.00% of rates between ages 70 and 79, 90.00% of rates between ages 80 and 84, and 100.00% 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 90.00% of rates for males and 100.00% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.10% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022.

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

The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021, and was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2021.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net OPEB (asset)	(\$7,834,695)	(\$9,284,515)	(\$10,495,621)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$10,446,548)	(\$9,284,515)	(\$7,847,553)

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

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**Changes Between the Measurement Date and the Reporting date**

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

**Note 9 - Other Employee Benefits**

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**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 School 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 10 – Debt**

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**Long-Term Obligations**

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due In One Year
2021 Refunding Bonds - Current Interest Bonds	\$26,975,000	\$0	(\$355,000)	\$26,620,000	\$390,000
2021 Refunding Bonds - CAB Principal	1,945,000	0	0	1,945,000	0
2021 Refunding Bonds - CAB Accreted Interest	178,721	273,776	0	452,497	0
Premium on Refunding Bonds	5,652,692	0	(628,077)	5,024,615	0
2015 G.O. Refunding Bonds	27,225,000	0	(4,820,000)	22,405,000	5,070,000
Premium on Refunding Bonds	3,530,440	0	(392,271)	3,138,169	0
<b>Total</b>	<b>\$65,506,853</b>	<b>\$273,776</b>	<b>(\$6,195,348)</b>	<b>\$59,585,281</b>	<b>\$5,460,000</b>



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

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**Refunding Bonds**

On August 18, 2020 the School 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 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 School District partially refunded \$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, 2022, are as follows:

Year	Refunding Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	6,725,000	1,126,294	7,851,294	0	0	0
2028-2030	21,980,000	1,639,134	23,619,134	0	0	0
Total	<u>\$49,025,000</u>	<u>\$9,125,704</u>	<u>\$58,150,704</u>	<u>\$1,945,000</u>	<u>\$1,720,000</u>	<u>\$3,665,000</u>

**Note 11 - Jointly Governed Organizations/Insurance Purchasing Pools**

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**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 \$421,799 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

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

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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 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 2022, 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 12 - Set-Aside Calculations**

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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.

	Capital Improvements
Set-aside Reserve Balance as of	
June 30, 2021	\$0
Current Fiscal Year Set-aside Requirement	1,652,992
Qualifying Disbursements	(1,397,364)
Current Fiscal Year Offsets	(255,628)
Totals	<u>\$0</u>
Set-aside Balance Carried Forward to	
Future Fiscal Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2022	<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 13 – Contingencies**

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**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

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

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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, 2022.

**Litigation**

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

**School Foundation**

In fiscal year 2022, 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 2022 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2022 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 14 – Interfund Balances and Transfers**

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**Transfers**

During the fiscal year 2022, there were no transfers made.

**Interfund Balances**

During the fiscal year 2022, following advances were made:

	<u>Advances</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$4,078,482	(\$3,737,175)
ESSER Fund	1,528,903	(3,235,625)
Other Governmental Funds	<u>2,208,273</u>	<u>(842,858)</u>
Total All Funds	<u>\$7,815,658</u>	<u>(\$7,815,658)</u>

All advances are expected to be repaid within one year.

**Note 15 – Compliance**

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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.

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

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**Note 16 – Implementation of New Accounting Principles**

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**New Accounting Principles**

For fiscal year 2022, the School District implemented GASB Statement No. 87, “Leases” and related guidance from (GASB) Implementation Guide No. 2019-3, and GASB Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period”.

GASB Statement No. 87 sets out to improve the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the School District.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

**Note 17 – COVID-19**

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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 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Assistance Listing Number	Pass Through Entity Identifying Number	Total 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	\$ 339,066
Cash Assistance:			
National School Lunch Program	10.555	3L60	2,778,898
COVID-19 National School Lunch Program	10.555	3L60	522,766
Total National School Lunch Program			<u>3,301,664</u>
School Breakfast Program	10.553	3L70	1,415,777
Total Child Nutrition Cluster			<u>5,056,507</u>
Child and Adult Care Food Program	10.558	3L80	9,105
COVID-19 Child and Adult Care Food Program	10.558	3L80	3,922
Total Child and Adult Food Program			<u>13,027</u>
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	3HF0	5,814
Total U.S. Department of Agriculture			<u>5,075,348</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	2,653,807
COVID-19 Special Education - Grants to States	84.027X	3IA0	167,970
Special Education - Preschool Grants	84.173	3C50	94,615
COVID-19 Special Education - Preschool Grants	84.173X	3IA0	16,319
Total Special Education Cluster			<u>2,932,711</u>
COVID-19 Governor's Emergency Education Relief Fund	84.425C	3HQ0	6,563
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	3HS0	16,537,933
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	3HS0	734,453
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	3HZ0	183,575
Total Education Stabilization Fund			<u>17,462,524</u>
Adult Education - Basic Grants to States	84.002	3120	489,771
Title I Grants to Local Educational Agencies	84.010	3M00	5,008,450
Supporting Effective Instruction State Grants	84.367	3Y60	428,304
Student Support and Academic Enrichment Program	84.424	3HI0	328,089
English Language Acquisition State Grants	84.365	3Y70	117,567
Education for Homeless Children and Youth	84.196	3EJ0	11,273
Total U.S. Department of Education			<u>26,778,689</u>
Total Expenditures of Federal Awards			<u>\$ 31,854,037</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  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE A – BASIS OF PRESENTATION**

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

**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  
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(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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the 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 District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 12, 2023 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2022-001.

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
July 12, 2023



# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

#### *Opinion on the Major Federal Program*

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

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

#### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

#### *Responsibilities of Management for Compliance*

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Hamilton City School District  
Butler County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to The Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance  
Page 3

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

July 12, 2023

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**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

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

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Elementary and Secondary School Emergency Relief Fund (ESSER) AL #84.425 C, D, U and W
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$955,621 Type B: all others
<i>(d)(1)(ix)</i>	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 2022-001**

**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 2022-001  
(Continued)**

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

The 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 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 District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

We did not receive a response from Officials to the finding reported above.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2022**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2021-001	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 2022-001

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

Jeremy D. Frazier,  
Treasurer

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**CORRECTIVE ACTION PLAN**

**2 CFR § 200.511(c)**

**June 30, 2022**

**Finding Number:** 2022-001

**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:

Jeremy Frazier  
Hamilton City School District Treasurer  
Phone: (513) 887-5000  
Email: [jfrazier@hcsdoh.org](mailto:jfrazier@hcsdoh.org)

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

Jeremy D. Frazier  
Treasurer  
[jfrazier@hcsdoh.org](mailto:jfrazier@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 8/1/2023**

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

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