



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
JUNE 30, 2020**

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FRANKLIN COUNTY  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Hamilton Local School District  
Franklin County  
775 Rathmell Road  
Columbus, Ohio 43207

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Local School District, Franklin County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

February 4, 2021

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

As management of the Hamilton Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31.5 million (net position).
- The District's total net position decreased by \$1.3 million during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$21.3 million, a \$1.8 million increase in comparison with the prior fiscal year. Of this total amount, \$20.9 million is available for spending at the District's discretion (unassigned fund balance).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 15-16 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District has no proprietary funds.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, and debt service fund, each of which are considered major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

*Proprietary Funds*

Proprietary Funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds. The District has no proprietary funds.

*Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statement can be found on page 22 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 23 of this report.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Government-wide Financial Analysis**

*Governmental Activities*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.5 million at the close of the most recent fiscal year.

**Net Position  
Governmental Activities**

	2020	2019
Current and Other Assets	\$ 37,561,009	\$ 35,018,366
Capital Assets	<u>57,304,021</u>	<u>59,113,752</u>
Total Assets	<u>94,865,030</u>	<u>94,132,118</u>
Deferred Amount on Refunding	30,828	43,739
Pension	6,469,231	9,071,940
OPEB	<u>569,374</u>	<u>425,378</u>
Total Deferred Outflows of Resources	<u>7,069,433</u>	<u>9,541,057</u>
Current Liabilities	2,738,786	2,774,408
Long-Term Liabilities:		
Due Within One Year	1,520,743	1,467,692
Due Later One Year:		
Net Pension Liability	33,392,217	33,046,020
Net OPEB Liability	2,656,792	3,028,249
Other Amounts Due Later One Year	<u>17,111,709</u>	<u>18,259,791</u>
Total Liabilities	<u>57,420,247</u>	<u>58,576,160</u>
Property Taxes	7,176,837	5,776,575
Pension	2,228,969	2,943,004
OPEB	<u>3,663,290</u>	<u>3,626,239</u>
Total Deferred Inflows of Resources	<u>13,069,096</u>	<u>12,345,818</u>
Net Investment in Capital Assets	41,411,426	41,874,051
Restricted	4,135,385	4,634,609
Unrestricted	<u>(14,101,691)</u>	<u>(13,757,463)</u>
Total Net Position	<u>\$ 31,445,120</u>	<u>\$ 32,751,197</u>

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

Current and other assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in cash and cash equivalents from general fund operations.

A significant portion of the District's net position (\$41.4 million) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$4.1 million) represents resources that are subject to external restrictions on how they may be used.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

Total net position of the District decreased \$1.3 million. Key elements of the District's net position decrease are as follows:

<b>Changes in Net Position Governmental Activities</b>		
	2020	2019
Revenues:		
Program Revenues		
Charges for Services	\$ 691,294	\$ 977,714
Operating Grants	4,054,390	3,509,470
Total Program Revenues	4,745,684	4,487,184
General Revenues		
Property Taxes	5,512,596	8,488,985
Payment in Lieu of Taxes	42,964	47,741
Grants and Entitlements	23,376,289	23,293,329
Investment Earnings	805,152	497,847
Other Revenue	106,188	238,937
Total General Revenue	29,843,189	32,566,839
Total Revenues	34,588,873	37,054,023
Expenses:		
Program Expenses		
Instruction	21,370,313	17,239,517
Support Services	11,198,209	9,590,778
Non-Instructional	1,532,360	1,547,613
Extracurricular Activities	1,342,475	1,229,770
Interest and Fiscal Charges	451,593	501,524
Total Expenses	35,894,950	30,109,202
Changes in Net Position	(1,306,077)	6,944,821
Net Position at Beginning of Year	32,751,197	25,806,376
Net Position at End of Year	\$ 31,445,120	\$ 32,751,197

Charges for services decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of the District closing due to COVID-19 during the year.

Operating Grants increased significantly in comparison with the prior fiscal year. This increase is the result of the District receiving revenue in its new Student Wellness funds in 2020.

Property Taxes decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in the District's amount available for advance at year end.

Investment earnings increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in total investments in the District's investment portfolio.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

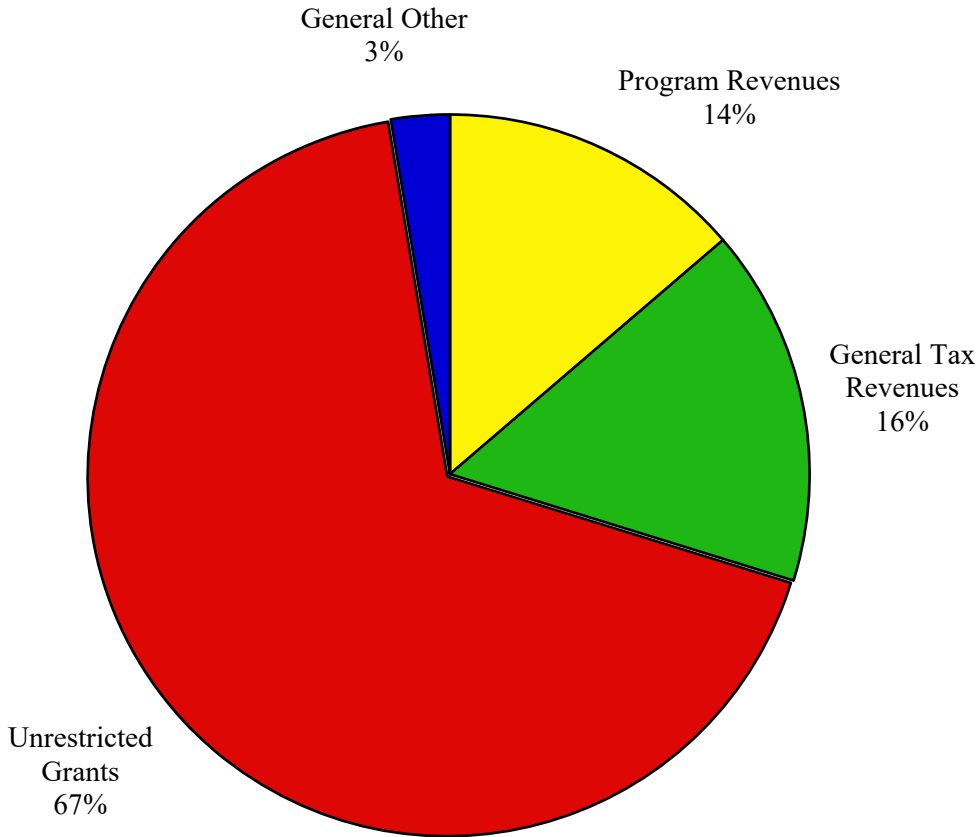
Total Expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in pension/OPEB expense from negative \$1.0 million in fiscal year 2019 to \$4.3 million in fiscal year 2020. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. The net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted state entitlements.

	<u>Total Cost of Services 2020</u>	<u>Total Cost of Services 2019</u>	<u>Net Cost of Services 2020</u>	<u>Net Cost of Services 2019</u>
Program Expenses				
Instruction:				
Regular	\$ 15,898,575	\$ 12,675,849	\$ 15,819,036	\$ 12,439,968
Special	4,047,591	3,219,568	2,782,245	1,918,712
Vocational	130,585	120,895	110,596	41,636
Other	1,293,562	1,223,205	1,288,113	1,210,051
Support Services:				
Pupil	2,058,247	1,284,210	902,739	951,468
Instructional Staff	837,447	715,968	697,147	533,810
Board of Education	31,246	35,240	31,246	35,240
Administration	2,962,988	2,274,659	2,719,417	2,056,914
Fiscal Services	772,307	806,459	708,263	735,955
Business Operations	12,170	5,860	12,170	5,860
Maintenance	3,190,878	3,260,001	3,048,101	3,104,625
Pupil Transportation	1,273,676	1,185,247	1,225,711	1,172,610
Central	59,250	23,134	59,250	23,134
Noninstructional Activities	1,532,360	1,547,613	303,229	85,355
Extracurricular Activities	1,342,475	1,229,770	990,410	805,156
Interest and Fiscal Charges	451,593	501,524	451,593	501,524
Total Expense	<u>\$ 35,894,950</u>	<u>\$ 30,109,202</u>	<u>\$ 31,149,266</u>	<u>\$ 25,622,018</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 16 percent of total revenues from tax revenues and 67 percent from unrestricted grants. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$31.1 million of support, as well as the graph above, indicating general revenues comprise 86 percent of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$25.3 million, an increase of \$1.3 million in comparison with the prior year. Approximately \$20.8 million of this amount is available for new spending at the District's discretion (unassigned fund balance). The remainder of fund balance is not available for new spending because it is not in spendable form (\$65,063), restricted (\$4.1 million), or assigned (\$272,116).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2020 and 2019.

	Fund Balance June 30, 2020	Fund Balance June 30, 2019	Increase (Decrease)
General Fund	\$ 21,269,504	\$ 19,444,479	\$ 1,825,025
Debt Service Fund	1,962,044	2,317,197	(355,153)
Other Governmental Funds	2,041,795	2,205,279	(163,484)
Total	<u>\$ 25,273,343</u>	<u>\$ 23,966,955</u>	<u>\$ 1,306,388</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20.9 million, while total fund balance was \$21.3 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 78.6% of total general fund expenditures and total fund balance represents 79.9% of that same amount.



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

The fund balance of the District's General Fund increased \$1.8 million during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the General Fund.

**General Fund Comparative Analysis**

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Property Taxes	\$ 4,363,240	\$ 6,319,003	-31.0%
Payment in Lieu of Taxes	-	54,489	-100.0%
Intergovernmental	22,982,248	23,074,415	-0.4%
Interest	784,746	497,847	57.6%
Tuition and Fees	87,573	198,328	-55.8%
Extracurricular	102,762	122,135	-15.9%
Other	207,746	224,727	-7.6%
Total	<u>28,528,315</u>	<u>30,490,944</u>	
<b>Expenditures</b>			
Instruction	17,156,173	17,109,006	0.3%
Support Services	8,574,958	8,722,598	-1.7%
Non-instructional Services	21,618	-	100.0%
Extracurricular Activities	867,233	896,759	-3.3%
Total	<u>26,619,982</u>	<u>26,728,363</u>	
Excess of Revenues Over Expenditures	<u>1,908,333</u>	<u>3,762,581</u>	
<b>Other Financing Uses</b>			
Transfers Out	<u>(83,308)</u>	<u>(362,734)</u>	-77.0%
Total	<u>(83,308)</u>	<u>(362,734)</u>	
Net Change in Fund Balance	1,825,025	3,399,847	
Beginning Fund Balance	<u>19,444,479</u>	<u>16,044,632</u>	
Ending Fund Balance	<u>\$ 21,269,504</u>	<u>\$ 19,444,479</u>	

Interest increased significantly in comparison with the prior fiscal year. This increase is the result of a fluctuations in the market value of the District's investments in comparison with the prior fiscal year.

Property Taxes decreased significantly in comparison with the prior fiscal year. This decrease is the result of a decrease in the District's amount available for advance at year end.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

**General Fund Budget Information**

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, original and final estimated revenues were \$30.1 million. The variance between the actual and final revenues was insignificant.

The original appropriations were \$500,000 less than final appropriations. Actual expenditures and other financing uses were \$1.4 million less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

**Capital Assets**

At fiscal year-end, the District's capital assets totaled \$57.3 million (net of accumulated depreciation), a decrease of \$1.8 million in comparison with the prior fiscal year. This decrease represents the amount in which depreciation (\$1.8 million), and disposals (\$8,775) exceeded additions (\$0) during the fiscal year. Detailed information regarding capital asset activity is included in Note 8 to the basic financial statements.

**Debt**

At fiscal year-end, the District had \$17.1 million in outstanding long-term debt, a decrease of \$1.3 million in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal payments (\$1.3 million) and premium amortization (\$222,048) exceeded accretion on capital appreciation bonds (\$160,711). Detailed information regarding long-term debt is included in Note 12 to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. As of June 30, 2020, the District's general obligation debt was below the legal limit. Detailed information regarding special needs status is included in Note 12 to the basic financial statements

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information, contact Adam Collier, Treasurer of Hamilton Local School District, 1055 Rathmell Road, Columbus, Ohio 43207.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020

	Primary Government Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 27,346,847
Receivables:	
Property Taxes	7,935,596
Accounts	1,927
Intergovernmental	74,816
Payment in Lieu of Tax	70,208
Interest Receivable	53,078
Prepaid Items	65,063
Nondepreciable Capital Assets	1,247,490
Depreciable Capital Assets, Net	56,056,531
Net OPEB Asset	2,013,474
<b>Total Assets</b>	<b>94,865,030</b>
<b>Deferred Outflows of Resources</b>	
Deferred Amount on Refunding	30,828
Pension	6,469,231
OPEB	569,374
<b>Total Deferred Outflows of Resources</b>	<b>7,069,433</b>
<b>Liabilities</b>	
Accounts Payable	124,006
Accrued Wages and Benefits	2,269,799
Intergovernmental Payable	302,608
Accrued Interest Payable	42,373
Long Term Liabilities:	
Due Within One Year	1,520,743
Due Later Than One Year:	
Net Pension Liability	33,392,217
Net OPEB Liability	2,656,792
Other Amounts Due Later Than One Year	17,111,709
<b>Total Liabilities</b>	<b>57,420,247</b>
<b>Deferred Inflows of Resources</b>	
Property Taxes	7,176,837
Pension	2,228,969
OPEB	3,663,290
<b>Total Deferred Inflows of Resources</b>	<b>13,069,096</b>
<b>Net Position</b>	
Net Investment in Capital Assets	41,411,426
Restricted for:	
Debt Service	1,966,316
Capital Projects	1,512,633
Food Services	438,167
Extracurricular Activities	155,400
State and Federal Grants	476
Other Purposes	62,393
Unrestricted	(14,101,691)
<b>Total Net Position</b>	<b>\$ 31,445,120</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental Activities				
Instruction				
Regular Instruction	\$ 15,898,575	\$ 65,693	\$ 13,846	\$ (15,819,036)
Special Instruction	4,047,591	15,908	1,249,438	(2,782,245)
Vocational Instruction	130,585	523	19,466	(110,596)
Other Instruction	1,293,562	5,449	-	(1,288,113)
Support Services				
Pupils	2,058,247	-	1,155,508	(902,739)
Instructional Staff	837,447	-	140,300	(697,147)
Board of Education	31,246	-	-	(31,246)
Administration	2,962,988	-	243,571	(2,719,417)
Fiscal Services	772,307	-	64,044	(708,263)
Business Operations	12,170	-	-	(12,170)
Maintenance	3,190,878	-	142,777	(3,048,101)
Pupil Transportation	1,273,676	-	47,965	(1,225,711)
Central	59,250	-	-	(59,250)
Non-instructional Services	1,532,360	262,685	966,446	(303,229)
Extracurricular Activities	1,342,475	341,036	11,029	(990,410)
Interest and Fiscal Charges	451,593	-	-	(451,593)
Total Governmental Activities	<u>\$ 35,894,950</u>	<u>\$ 691,294</u>	<u>\$ 4,054,390</u>	<u>\$ (31,149,266)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				\$ 4,183,014
Debt Service				1,059,716
Capital Projects				269,866
Payments in Lieu of Taxes				42,964
Grants and Entitlements not Restricted				23,376,289
Investment Earnings				805,152
Miscellaneous				106,188
Total General Revenues				<u>29,843,189</u>
Change in Net Position				(1,306,077)
Net Position Beginning of Year				32,751,197
Net Position End of Year				<u><u>\$ 31,445,120</u></u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 23,274,069	\$ 1,851,505	\$ 2,221,273	\$ 27,346,847
Receivables:				
Property Taxes	5,874,838	1,657,041	403,717	7,935,596
Accounts	427	-	1,500	1,927
Intergovernmental	19,110	-	55,706	74,816
Payment in Lieu of Tax	70,208	-	-	70,208
Interest Receivable	53,078	-	-	53,078
Prepaid Items	65,063	-	-	65,063
Due From Other Funds	114,557	-	-	114,557
Total Assets	<u>\$ 29,471,350</u>	<u>\$ 3,508,546</u>	<u>\$ 2,682,196</u>	<u>\$ 35,662,092</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 124,006	\$ -	\$ -	\$ 124,006
Accrued Wages and Benefits	2,169,486	-	100,313	2,269,799
Intergovernmental Payable	294,077	-	8,531	302,608
Due to Other Funds	-	-	114,557	114,557
Compensated Absences Payable	21,618	-	-	21,618
Total Liabilities	<u>2,609,187</u>	<u>-</u>	<u>223,401</u>	<u>2,832,588</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	281,248	46,645	51,431	379,324
Property Taxes	5,311,411	1,499,857	365,569	7,176,837
Total Deferred Inflows of Resources	<u>5,592,659</u>	<u>1,546,502</u>	<u>417,000</u>	<u>7,556,161</u>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Items	65,063	-	-	65,063
Restricted for:				
Capital Projects	-	-	1,501,416	1,501,416
Debt Service	-	1,962,044	-	1,962,044
Food Services	-	-	436,667	436,667
Extracurricular Activities	-	-	155,400	155,400
Other Purposes	-	-	62,393	62,393
Assigned:				
Public School Support	160,490	-	-	160,490
Support Services	33,062	-	-	33,062
Future Appropriations	78,564	-	-	78,564
Unassigned	20,932,325	-	(114,081)	20,818,244
Total Fund Balances	<u>21,269,504</u>	<u>1,962,044</u>	<u>2,041,795</u>	<u>25,273,343</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,471,350</u>	<u>\$ 3,508,546</u>	<u>\$ 2,682,196</u>	<u>\$ 35,662,092</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2020

<b>Total Governmental Fund Balances</b>	<b>\$ 25,273,343</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	57,304,021
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are unavailable revenue in the funds. These receivables consist of:	
Delinquent Property Taxes Receivable	229,386
Intergovernmental Receivables	57,824
Payment in Lieu of Taxes	70,208
Charges for Services	1,500
Interest	20,406
The net OPEB asset and net pension and net OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	6,469,231
Deferred Outflows - OPEB	569,374
Deferred Inflows - Pension	(2,228,969)
Deferred Inflows - OPEB	(3,663,290)
Net Pension Liability	(33,392,217)
Net OPEB Asset	2,013,474
Net OPEB Liability	(2,656,792)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds Payable	(14,420,000)
Lease Purchase Agreement Payable	(226,813)
Accumulated Accretion	(1,400,979)
Unamortized Bond Premiums	(1,024,769)
Unamortized Deferred Charge on Refunding	30,828
Accrued Interest Payable	(42,373)
Compensated Absences Payable	(1,538,273)
	(18,622,379)
 <b>Net Position of Governmental Activities</b>	 <b>\$ 31,445,120</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 4,363,240	\$ 1,108,320	\$ 279,843	\$ 5,751,403
Intergovernmental	22,982,248	244,950	4,117,829	27,345,027
Charges for Services	-	-	270,076	270,076
Interest	784,746	-	-	784,746
Tuition and Fees	87,573	-	-	87,573
Extracurricular Activities	102,762	-	238,274	341,036
Donations	-	-	3,000	3,000
Other	207,746	-	15,401	223,147
Total Revenues	<u>28,528,315</u>	<u>1,353,270</u>	<u>4,924,423</u>	<u>34,806,008</u>
<b>Expenditures:</b>				
Regular Instruction	13,217,325	-	14,279	13,231,604
Special Instruction	2,519,041	-	1,316,929	3,835,970
Vocational Instruction	126,245	-	-	126,245
Other Instruction	1,293,562	-	-	1,293,562
Pupils	809,066	-	1,179,937	1,989,003
Instructional Staff	644,840	-	142,671	787,511
Board of Education	29,918	-	-	29,918
Administration	2,563,238	-	208,722	2,771,960
Fiscal Services	607,741	27,861	97,565	733,167
Business Operations	12,170	-	-	12,170
Operation and Maintenance of Plant	2,734,798	-	252,106	2,986,904
Pupil Transportation	1,113,937	-	47,965	1,161,902
Central	59,250	-	-	59,250
Non-instructional Services	21,618	-	1,450,665	1,472,283
Extracurricular Activities	867,233	-	331,269	1,198,502
Debt service:				
Principal Retirement	-	1,195,000	110,536	1,305,536
Interest and Fiscal Charges	-	485,562	18,571	504,133
Total Expenditures	<u>26,619,982</u>	<u>1,708,423</u>	<u>5,171,215</u>	<u>33,499,620</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,908,333	(355,153)	(246,792)	1,306,388
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	83,308	83,308
Transfers Out	(83,308)	-	-	(83,308)
Total Other Financing Sources (Uses)	<u>(83,308)</u>	<u>-</u>	<u>83,308</u>	<u>-</u>
Net Change in Fund Balances	1,825,025	(355,153)	(163,484)	1,306,388
Fund Balance Beginning of Year	19,444,479	2,317,197	2,205,279	23,966,955
Fund Balance End of Year	<u>\$ 21,269,504</u>	<u>\$ 1,962,044</u>	<u>\$ 2,041,795</u>	<u>\$ 25,273,343</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,306,388</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation Expense	(1,800,956)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations).	(8,775)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(238,807)
Accounts	(59,668)
Intergovernmental	25,361
Payment in Lieu of Taxes	42,964
Charges for Services	(7,391)
Interest	20,406
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,645,440
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(4,849,153)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB asset/liability are reported as OPEB expense in the statement of activities.	510,262
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal Repayments	1,256,190
Amortization of Deferred Charge on Refunding	(12,911)
Amortization of Bond Premiums	222,048
Accretion of Capital Appreciation Bonds	(160,711)
Capital Lease Principal Repayments	49,346
Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Increase in Compensated Absences	(250,224)
Decrease in Accrued Interest Payable	4,114
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,306,077)</u></b>

See accompanying notes to the basic financial statements.



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Property Taxes	\$ 5,685,914	\$ 5,685,914	\$ 6,133,627	\$ 447,713
Intergovernmental	23,702,393	23,702,393	22,982,248	(720,145)
Interest	424,020	424,020	410,699	(13,321)
Tuition and Fees	90,551	90,551	87,706	(2,845)
Extracurricular Activities	106,095	106,095	102,762	(3,333)
Other	92,151	92,151	89,256	(2,895)
Total Revenues	<u>30,101,124</u>	<u>30,101,124</u>	<u>29,806,298</u>	<u>(294,826)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,524,936	13,773,863	13,189,959	583,904
Special	2,588,861	3,110,121	2,507,140	602,981
Vocational	129,016	116,873	125,728	(8,855)
Other	1,326,478	1,011,104	1,293,562	(282,458)
Support Services:				
Pupils	853,224	1,054,200	829,408	224,792
Instructional Staff	690,959	718,855	660,249	58,606
Board of Education	30,679	27,185	30,418	(3,233)
Administration	2,585,277	2,449,879	2,521,400	(71,521)
Fiscal Services	620,127	1,001,830	599,634	402,196
Business Operations	12,480	5,977	12,170	(6,193)
Operation and Maintenance of Plant	2,994,334	3,000,558	2,834,198	166,360
Pupil Transportation	1,198,748	1,076,686	1,136,380	(59,694)
Central	77,778	39,785	59,348	(19,563)
Extracurricular Activities	889,266	777,798	867,199	(89,401)
Total Expenditures	<u>27,522,163</u>	<u>28,164,714</u>	<u>26,666,793</u>	<u>1,497,921</u>
Excess of Revenues Over (Under) Expenditures	<u>2,578,961</u>	<u>1,936,410</u>	<u>3,139,505</u>	<u>1,203,095</u>
<b>Other Financing Uses:</b>				
Transfers Out	(70,079)	-	(68,340)	(68,340)
Advances Out	(117,472)	(45,000)	(114,557)	(69,557)
Total Other Financing Uses	<u>(187,551)</u>	<u>(45,000)</u>	<u>(182,897)</u>	<u>(137,897)</u>
Net Change in Fund Balance	2,391,410	1,891,410	2,956,608	1,065,198
Fund Balance at Beginning of Year	19,088,784	19,088,784	19,088,784	-
Prior Year Encumbrances Appropriated	274,596	274,596	274,596	-
Fund Balance at End of Year	<u>\$ 21,754,790</u>	<u>\$ 21,254,790</u>	<u>\$ 22,319,988</u>	<u>\$ 1,065,198</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2020

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 133,263
Total Assets	<u>\$ 133,263</u>
<b>Liabilities</b>	
Due to Students	\$ 133,263
Total Liabilities	<u>\$ 133,263</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**NOTE 1 – NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY**

The Hamilton Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2020, was 3,127. The District employed 188 certified employees and 87 classified employees. The District is supervised by Educational Service Center of Central Ohio, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District had no component units for the fiscal year ended June 30, 2020.

The District is involved with the Metropolitan Educational Technology Association (META), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 16.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**A. Fund Accounting**

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to specific District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds.

General Fund - The General Fund is the chief operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other Governmental Funds – Other Governmental Funds consist of non-major special revenue and capital project funds. The special revenue funds are established to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted or committed to expenditures for specified purposes. The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other assets.

*Proprietary Fund Types:*

Proprietary funds consist of enterprise funds and internal service funds and are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*Fiduciary Fund Types:*

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. The District's agency fund consists of student-managed activities.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**B. Basis of Presentation**

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

*Fund Financial Statements*

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balance.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into net position components. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The District has no proprietary funds.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

*Revenues, Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6), unless advanced or available to be advanced to the District in the previous fiscal year. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, grants and student fees.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred amount on refundings and for pensions and other post-employment benefits (OPEB). The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 9 and 10).

*Expenditures/Expenses*

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**D. Budgetary Process**

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

**E. Cash and Investments**

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as a demand deposit. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. It is the policy of the District to value investment contracts and money market investments with maturity of one year or less at the time of purchase at fair value.

During fiscal year 2020, the District's investments were limited to investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), commercial paper, negotiable certificates of deposit (negotiable CD's), U.S. Treasury Notes, and Money Market Funds. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

For purposes of presentation on the balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$784,746, which includes \$140,162 assigned from other District funds.

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased.

**G. Capital Assets and Depreciation**

General capital assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of capital assets.



**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Interest is expensed as incurred. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Buildings and improvements are charged a full year of depreciation in the year of acquisition or the year the asset is placed into service. Depreciation for furniture, fixtures and equipment, vehicles, and land improvements will begin in the month of acquisition. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land Improvements	10 – 25 years
Buildings & Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Buses and Other Vehicles	5 – 15 years

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and become available.

**I. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net position.

**J. Compensated Absences**

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method, which states that an accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 20 or more years of service with the District.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

**K. Accrued Liabilities and Long-Term Obligations**

All accrued liabilities and long-term debt is reported in the entity-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

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

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

**M. Fund Balance**

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (assigned and unassigned) fund balance is available. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**N. Encumbrances**

The District employs encumbrance accounting in governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**O. Estimates**

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

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

The following funds had deficit fund balances at fiscal year-end:

<u>Fund</u>	<u>Fund Balance</u>
Title VI-B	\$ 73,684
Title I	33,463
IDEA Early Childhood Special Ed.	17
Classroom Reduction	6,000
Other Federal Grants	1,393

These fund deficits resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits and provides operating transfers when cash is required, not when accruals occur.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 4 – BUDGET TO GAAP RECONCILIATION**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Statement of Revenues, Expenditures and Changes in Fund Balances, Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

**Net Change in Fund Balance**

GAAP Basis	\$ 1,825,025
Public School Support Change	(2,372)
Other Local Funds Change	(1,622)
Dental Insurance Fund Change	(79,147)
Retirement Funds Change	(40,031)
Revenue Accruals	1,399,020
Expenditure Accruals	51,043
Interfund Activity	(99,939)
Encumbrances	(95,369)
Budget Basis	<u>\$ 2,956,608</u>

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund, Dental Insurance Fund, Retirement Funds, and Other Local Funds, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these fund are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the General Fund, without modification for the funds no longer meeting the special revenue criteria.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current 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.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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. The Ohio Revised Code authorizes the District to invest interim monies in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations; and STAR Ohio.

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

Interim monies held by the District may 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 obligations 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 that 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 that 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 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days respectively, from the purchase date 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. Investments may only be made through specified dealers and institutions.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits**

*Custodial Credit Risk.* Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the District’s deposits was \$9,150,299 and the bank balance was \$9,440,061. Of the District’s bank balance, \$250,148 was covered by the Federal Depository Insurance Company (FDIC) and the remaining balance was uninsured and collateralized. The District’s financial institution was approved for a collateral rate of 50 percent through the Ohio Pooled Collateral System.

Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the 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 percent of the deposits being secured; or
2. 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 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments** - At fiscal year-end, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities			
		Less Than 12 Months	12 to 24 Months	24 to 48 Months	48 to 60 Months
Money Market Funds	\$ 91,062	\$ 91,062	\$ -	\$ -	\$ -
US Treasury Note	555,625	453,977	101,648	-	-
US Government Agency Notes:					
Federal Farm Credit Bank	3,307,468	-	980,571	894,639	1,432,258
Federal Home Loan Bank	924,320	-	255,065	145,760	523,495
Federal Home Loan Mortgage Association	1,214,856	-	369,999	844,857	-
Federal National Mortgage Association	616,585	-	-	299,863	316,722
Commercial Paper	4,043,692	4,043,692	-	-	-
Negotiable Certificate of Deposit	7,576,203	841,478	1,698,804	4,778,746	257,175
	<u>\$ 18,329,811</u>	<u>\$ 5,430,209</u>	<u>\$ 3,406,087</u>	<u>\$ 6,963,865</u>	<u>\$ 2,529,650</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District’s fair value measurements are valued using quoted market prices (Level 2 inputs).

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk.* Interest rate risk is the risk that an interest rate change could adversely affect an investment’s fair value. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk.* Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The District’s US Government Agency Notes and Commercial Paper are rated AA+ by Standard & Poor. The District’s negotiable certificates of deposit and money market funds were not rated.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The District places no limit on the amount that may be invested in any one issuer. The District’s exposure to concentration of credit is as follows:

	Fair Value	% To Total
Money Market Funds	\$ 91,062	1%
US Treasury Note	555,625	3%
US Government Agency Notes	6,063,229	33%
Commercial Paper	4,043,692	22%
Negotiable Certificate of Deposit	7,576,203	41%
Total	\$ 18,329,811	100%

**NOTE 6 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. First half collections are received by the District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property as 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of inventory. The tangible personal property tax has been phased out. The assessed values upon which the fiscal year taxes were collected are:

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 – PROPERTY TAXES (Continued)**

	Calendar Year 2019 Second Half Collections		Calendar Year 2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 138,505,870	51.01%	\$ 139,928,760	51.84%
Real Property - Commercial / Industrial	120,165,580	44.27%	116,229,330	43.06%
Real Property - Public Utilities	211,380	0.08%	232,990	0.09%
Personal Property - Public Utilities	12,584,180	4.64%	13,515,310	5.01%
Total Assessed Values	<u>\$ 271,467,010</u>	<u>100.00%</u>	<u>\$ 269,906,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 54.90		\$ 54.90

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2020 second-half property tax payments collected by the County by June 30, 2020 are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility taxes and outstanding delinquencies that are measurable as of June 30, 2020. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2020 was \$529,374.

**NOTE 7 – TAX ABATEMENTS**

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the Village of Obetz and the City of Columbus, the District’s property tax revenues were reduced by \$1,707,735 and \$326,631, respectively, during the fiscal year. Compensation payments received from the Village during the fiscal year totaled \$0



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 8 – CAPITAL ASSETS**

A summary of capital asset activity during the fiscal year follows:

<b>Asset Class</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Nondepreciable Capital Assets:				
Land	\$ 1,247,490	\$ -	\$ -	\$ 1,247,490
Total Nondepreciable Capital Assets	<u>1,247,490</u>	<u>-</u>	<u>-</u>	<u>1,247,490</u>
Depreciable Capital Assets:				
Land and Building Improvements	76,151,077	-	-	76,151,077
Furniture & Equipment	4,941,033	-	(8,775)	4,932,258
Vehicles	1,837,968	-	-	1,837,968
Total Depreciable Capital Assets	<u>82,930,078</u>	<u>-</u>	<u>(8,775)</u>	<u>82,921,303</u>
Less Accumulated Depreciation				
Land and Building Improvements	19,551,712	1,567,294	-	21,119,006
Furniture & Equipment	4,180,898	154,666	-	4,335,564
Vehicles	1,331,206	78,996	-	1,410,202
Total Accumulated Depreciation	<u>25,063,816</u>	<u>1,800,956</u>	<u>-</u>	<u>26,864,772</u>
Total Depreciable Capital Assets, Net	<u>57,866,262</u>	<u>(1,800,956)</u>	<u>(8,775)</u>	<u>56,056,531</u>
Total Capital Assets, Net	<u>\$ 59,113,752</u>	<u>\$ (1,800,956)</u>	<u>\$ (8,775)</u>	<u>\$ 57,304,021</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,556,144
Instruction Special	1,870
Instruction Vocational	4,340
Pupils	486
Instructional Staff	1,451
Board of Education	1,328
Administration	15,794
Fiscal Services	3,792
Operation and Maintenance of Plant	78,320
Pupil Transportation	55,536
Noninstructional Services	12,109
Extracurricular Activities	69,786
	<u>\$ 1,800,956</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

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

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

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

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the 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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

The District's contractually required contribution to SERS was \$531,062 for fiscal year 2020. Of this amount, \$25,093 is reported as an intergovernmental payable.

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$2,083,220 for fiscal year 2020. Of this amount, \$202,271 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10877050%	0.12156915%	
Prior Measurement Date	0.11100120%	0.12138018%	
Change in Proportionate Share	-0.00223070%	0.00018897%	
Proportionate Share of the Net			
Pension Liability	\$ 6,507,930	\$ 26,884,287	\$ 33,392,217
Pension Expense	\$ 880,993	\$ 3,968,160	\$ 4,849,153

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight-line method over a five-year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 165,026	\$ 218,883	\$ 383,909
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	0	3,158,080	3,158,080
Changes in Proportion and Differences between			
District Contributions and Proportionate			
Share of Contributions	6,766	306,194	312,960
District Contributions Subsequent to the			
Measurement Date	531,062	2,083,220	2,614,282
<b>Total Deferred Outflows of Resources</b>	<b>\$ 702,854</b>	<b>\$ 5,766,377</b>	<b>\$ 6,469,231</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 0	\$ 116,378	\$ 116,378
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	83,539	1,313,955	1,397,494
Changes in Proportion and Differences between			
District Contributions and Proportionate			
Share of Contributions	149,982	565,115	715,097
<b>Total Deferred Inflows of Resources</b>	<b>\$ 233,521</b>	<b>\$ 1,995,448</b>	<b>\$ 2,228,969</b>

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

\$2,614,282 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 65,627	\$ 1,609,211	\$ 1,674,838
2022	(169,174)	280,024	110,850
2023	(5,557)	(366,442)	(371,999)
2024	47,375	164,916	212,291
	\$ (61,729)	\$ 1,687,709	\$ 1,625,980

***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 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. Future benefits for all current plan members were projected through 2035.

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

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

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

The long-term return expectation for the 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. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	



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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	\$ 9,119,936	\$ 6,507,930	\$ 4,317,435

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

The actuarial assumptions used in the July 1, 2019 valuation, were based on the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

Asset Class	Target Allocation*	Long Term Expected Real 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 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	\$ 39,288,390	\$ 26,884,287	\$ 16,383,578

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

*Social Security System*

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2020, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

See Note 9 for a description of the net OPEB liability (asset).

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$31,158, which is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.10564700%	0.12156900%	
Prior Measurement Date	0.10915500%	0.12138000%	
Change in Proportionate Share	-0.00350800%	0.00018900%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 2,656,792	\$ (2,013,474)	
OPEB Expense	\$ 31,172	\$ (541,434)	\$ (510,262)

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 38,999	\$ 182,538	\$ 221,537
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	6,377	0	6,377
Changes of Assumptions	194,049	42,322	236,371
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	0	73,931	73,931
District Contributions Subsequent to the Measurement Date	31,158	0	31,158
<b>Total Deferred Outflows of Resources</b>	<u>\$ 270,583</u>	<u>\$ 298,791</u>	<u>\$ 569,374</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 583,681	\$ 102,439	\$ 686,120
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	126,458	126,458
Changes of Assumptions	148,877	2,207,541	2,356,418
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	259,822	234,472	494,294
<b>Total Deferred Inflows of Resources</b>	<u>\$ 992,380</u>	<u>\$ 2,670,910</u>	<u>\$ 3,663,290</u>

\$31,158 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (206,891)	\$ (508,696)	\$ (715,587)
2022	(132,184)	(508,694)	(640,878)
2023	(130,315)	(458,011)	(588,326)
2024	(130,619)	(440,226)	(570,845)
2025	(108,783)	(447,737)	(556,520)
Thereafter	(44,163)	(8,755)	(52,918)
	<u>\$ (752,955)</u>	<u>\$ (2,372,119)</u>	<u>\$ (3,125,074)</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

*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, 2019, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS’ actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as 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 by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 3,224,851	\$ 2,656,792	\$ 2,205,133
	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 2,128,635	\$ 2,656,792	\$ 3,357,547

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

Asset Class	Target Allocation*	Long Term Expected Real 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 %	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,718,099)	\$ (2,013,474)	\$ (2,261,816)
	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,283,187)	\$ (2,013,474)	\$ (1,683,141)

**NOTE 11 – RISK MANAGEMENT**

**A. General Risk**

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$6,000,000 for each occurrence and \$8,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$6,000,000 for any one accident or loss and a rider for volunteers. The District maintains replacement cost insurance on buildings and contents. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**B. Workers’ Compensation-Public Entity Risk Pool**

The District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate

Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**NOTE 11 – RISK MANAGEMENT (Continued)**

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**C. Health Insurance**

The District provides life insurance and accidental death and dismemberment insurance to its employees through Aetna. The District has elected to provide employee medical/surgical benefits and dental through Aetna, all fully funded programs.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 12 – LONG-TERM OBLIGATIONS**

Changes in the District’s long-term obligations during the fiscal year were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
<b>Bonds</b>					
2011 Refunding Bonds:					
Current Interest Bonds	\$ 655,000	\$ -	\$ (655,000)	\$ -	\$ -
Premium on Bonds	5,946	-	(5,946)	-	-
2012 Refunding Bonds:					
Current Interest Bonds	6,910,000	-	-	6,910,000	-
Capital Appreciation Bonds	1,385,268	160,711	(145,000)	1,400,979	508,280
Premium on Bonds	444,190	-	(132,241)	311,949	-
2015 Refunding Bonds					
Current Interest Bonds	7,905,000	-	(395,000)	7,510,000	720,000
Premium on Bonds	796,681	-	(83,861)	712,820	-
Total General Obligation Bonds	<u>18,102,085</u>	<u>160,711</u>	<u>(1,417,048)</u>	<u>16,845,748</u>	<u>1,228,280</u>
<b>Notes from Direct Borrowings</b>					
2017 Lease Purchase Agreement	288,003	-	(61,190)	226,813	65,050
Total Notes from Direct Borrowings	<u>288,003</u>	<u>-</u>	<u>(61,190)</u>	<u>226,813</u>	<u>65,050</u>
<b>Net Pension Liability</b>					
SERS	6,357,244	150,686	-	6,507,930	-
STRS	26,688,776	195,511	-	26,884,287	-
Total Net Pension Liability	<u>33,046,020</u>	<u>346,197</u>	<u>-</u>	<u>33,392,217</u>	<u>-</u>
<b>Net OPEB Liability</b>					
SERS	3,028,249	-	(371,457)	2,656,792	-
Total Net OPEB Liability	<u>3,028,249</u>	<u>-</u>	<u>(371,457)</u>	<u>2,656,792</u>	<u>-</u>
Capital Lease	49,346	-	(49,346)	-	-
Compensated Absences	1,288,049	271,842	-	1,559,891	227,413
	<u>\$ 55,801,752</u>	<u>\$ 778,750</u>	<u>\$ (1,899,041)</u>	<u>\$ 54,681,461</u>	<u>\$ 1,520,743</u>

All outstanding general obligation bonds relate to projects, for the purpose of constructing, improving and equipping schools. Such bonds are direct obligations of the District for which the full faith and credit and resources are pledged and a payable from taxes levied on all taxable property of the District. The District pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from the employee’s service. For additional information related to the net pension liability and net OPEB liability see Notes 9 and 10.

The District pays bond obligations from the Debt Service Fund, and the 2017 Lease Purchase Agreement is paid from the Permanent Improvement Fund.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 – LONG-TERM OBLIGATIONS (Continued)**

**2011 Advance Refunding Bonds** – On January 25, 2011, the District issued \$3,570,000 in current interest serial bonds with interest rates ranging from 2 to 4 percent, and a \$62,703 capital appreciation bonds with a stated interest rate of 20 percent, for the purpose of advance refunding \$3,635,000 of 2001 current interest serial bonds. The 2011 current interest serial bonds mature December 1, 2019 and the capital appreciation bond matured on December 1, 2018. The 2011 current interest bonds were issued at a premium of \$107,030, the capital appreciation bond was issued at a premium of \$151,194, and bond issuance costs totaled \$88,805.

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the 2001 current interest serial bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$225,793, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$201,997. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

**2012 Advance Refunding Bonds** – On October 30, 2012, the District issued \$7,730,000 in current interest serial bonds with interest rates ranging from 2 to 3 percent, and \$284,566 in capital appreciation bonds with stated interest rates of 22 percent, for the purpose of advance refunding \$8,015,000 of 2006 current interest serial bonds. The 2012 current interest serial bonds mature December 1, 2033 and the capital appreciation bond matures on December 1, 2022. The 2012 current interest bonds were issued at a premium of \$142,409, the capital appreciation bond was issued at a premium of \$1,224,091, and bond issuance costs totaled \$136,216.

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on June 1, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 current interest serial bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,234,408, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$971,139. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

**2015 Advance Refunding Bonds** – On October 22, 2015, the District issued \$8,800,000 in current interest serial bonds with interest rates ranging from 2 to 4 percent for the purpose of advance refunding \$8,395,000 of the series 2006 advance refunding bonds and \$1,130,000 of the series 2006 school improvement bonds. The 2015 bonds mature December 1, 2028. The 2015 bonds were issued at a premium of \$1,090,195 and bond issuance costs totaled \$137,706.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 12 – LONG-TERM OBLIGATIONS (Continued)**

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on June 1, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 current interest serial bonds were removed from the District’s government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,278,828, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$1,284,241. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

**2017 Lease Purchase Agreement** On June 26, 2017, the District entered into a series of one-year renewable lease-purchase agreements with PC Trust Ltd, whereas the District leased equipment and services for buildings and improvements located at the high school, middle school, intermediate school, elementary school, and preschool/administration buildings. PC Trust Ltd agreed to pay \$386,479 in order to fund the equipment. In turn, the District agreed to pay \$386,479 under the sublease at an interest rate of 6.1585%. The final payment to PC Trust Ltd is due July 1, 2023.

Per the renewable lease-purchase agreements with the PC Trust Ltd, the District pledged the equipment for buildings and improvements located at the high school, middle school, intermediate school, elementary school, and preschool/administration buildings as collateral for the debt. In the event of default, PC Trust Ltd shall have all of the rights of the equipment. Also, in the event of default, PC Trust Ltd may also exercise the following rights and remedies:

1. By written notice, the District may have to pay all of the remaining lease payments
2. PC Trust Ltd may enter and retake possession of the equipment or return the property at the District’s expense
3. PC Trust Ltd may sublease the equipment for the account of the District, while still holding the District liable for the difference between the applicable rental payments and the payments made by the sublessee.
4. PC Trust Ltd may take action at law against the District to enforce its rights under the lease-purchase agreements.

The annual requirement to amortize all bonds outstanding and the lease purchase agreement as of June 30, 2020 is as follows:

	Principal	Interest	Total
2021	\$ 1,293,330	\$ 514,955	\$ 1,808,285
2022	1,280,850	535,460	1,816,310
2023	1,264,519	545,316	1,809,835
2024	1,369,093	370,832	1,739,925
2025	1,395,000	326,175	1,721,175
2026-2030	6,700,000	1,345,583	8,045,583
2031-2035	2,745,000	168,162	2,913,162
	\$ 16,047,792	\$ 3,806,483	\$ 19,854,275

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**NOTE 12 – LONG-TERM OBLIGATIONS (Continued)**

The ORC provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations are a voted debt limit of \$24,291,575 and an unvoted debt limit of \$269,906. The District's debt outstanding was within these limits.

**NOTE 13 – COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. Vacation leave is based upon length of service and position.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for employees is 300 days.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Classified and Certified employees who meet the retirement qualifications of STRS/SERS and employees who have 20 years of experience with the district are probable to a severance payment from the District, therefore a liability will be recorded for the employees. Classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of unused sick leave up to a maximum of 260 days, not to exceed sixty-five, plus one day for each year in which no more than three days of sick leave are used. Certified employees receiving retirement severance pay shall be entitled to a dollar amount equivalent to thirty percent of unused sick leave up to a maximum of 280 days, not to exceed seventy days.

Compensated absences will be paid from the fund from which the employee's salaries are paid.

**NOTE 14 – CAPITAL LEASE OBLIGATIONS**

The District has entered into two lease agreements as lessee for financing the acquisition of computers and a bus. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases did not meet threshold to be capitalized. The District paid the final lease payment during the fiscal year.



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 – STATUTORY RESERVES**

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2019	\$ -
Current fiscal year set-aside requirement	543,615
Current year offsets	(543,615)
Qualifying Disbursements	-
Total	\$ -
 Balance Carried Forward to Fiscal Year 2021	 \$ -
 Set-aside Balance June 30, 2020	 \$ -

The District also had offsets during the fiscal year that reduced the capital acquisition set-aside amount. During fiscal year 2006, the District issued \$11,900,000 in capital related debt based on a building project under taken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2020, the District still has \$11,350,316 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

**NOTE 16 – JOINTLY GOVERNED ORGANIZATION**

**Metropolitan Educational Technology Association (META)** - META is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. META is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for META. META provides computer services to the District.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

Transfers are generally used to either (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond Retirement Fund as debt service payments become due, or (3) use unrestricted revenues collected in the General Fund to finance various program accounted for in other funds in accordance with budgetary authorizations.

During the fiscal year, transfers from the District’s General Fund were as follows:

<u>Fund</u>	<u>Amount</u>
Classroom Maintenance Fund	\$ 68,340
Athletics	10,321
Improving Teacher Quality	4,647
Total	<u>\$ 83,308</u>

**B. Interfund Advances**

On an as-needed basis, the District’s General Fund advances cash to other funds of the District to eliminate cash deficits. As of June 30, 2020, receivables and payables that resulted from prior year advance transactions were as follows:

<u>Fund</u>	<u>Amount</u>
IDEA-B Special Education	\$ 73,684
Title I-A Improving Basic Programs	33,463
IDEA Early Childhood Special Education	17
Title II-A Supporting Effective Instruction	6,000
Title IV-A Student Support	1,393
Total	<u>\$ 114,557</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 18 – CONTINGENCIES**

**A. Grants** – The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

**B. Litigation** – There are currently a few matters in litigation with the District as defendant. It is the opinion of management that the potential claims against the District not covered by insurance would not materially affect the financial statements.

**C. Foundation Funding** – District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2020 have been finalized.

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year ending June 30, 2020, the District has implemented the following:

For the fiscal year ended June 30, 2020, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)**

For the fiscal year ended June 30, 2020, the District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the District.

For the fiscal year ended June 30, 2020, the District has early implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and GASB Statement No. 92 Omnibus 2020.

GASB Statement No. 89 requires that interest costs 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. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

**NOTE 20 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates have fluctuated, consistent with the fluctuations in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST SEVEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.1087705%	0.1110012%	0.1174833%	0.1169370%	0.1138244%	0.1083000%	0.1083000%
District's Proportionate Share of the Net Pension Liability	\$ 6,507,930	\$ 6,357,244	\$ 7,019,368	\$ 8,558,709	\$ 6,494,931	\$ 5,481,001	\$ 6,440,254
District's Covered Payroll	\$ 3,703,430	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.73%	175.18%	181.27%	232.73%	189.77%	173.71%	214.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST SEVEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.12156915%	0.12138018%	0.12633742%	0.12391827%	0.12466853%	0.11979199%	0.11979199%
District's Proportionate Share of the Net Pension Liability	\$ 26,884,287	\$ 26,688,776	\$ 30,011,725	\$ 41,479,180	\$ 34,454,735	\$ 29,137,558	\$ 34,708,468
District's Covered Payroll	\$ 14,322,586	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.71%	193.51%	211.63%	306.57%	260.23%	225.42%	278.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 531,062	\$ 499,963	\$ 489,911	\$ 542,139
Contributions in Relation to the Contractually Required Contribution	<u>531,062</u>	<u>499,963</u>	<u>489,911</u>	<u>542,139</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,793,300	\$ 3,703,433	\$ 3,628,970	\$ 3,872,423
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%

See accompanying notes to the required supplementary information.



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 514,847	\$ 451,087	\$ 437,309	\$ 415,646	\$ 400,641	\$ 382,374
<u>514,847</u>	<u>451,087</u>	<u>437,309</u>	<u>415,646</u>	<u>400,641</u>	<u>382,374</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 2,083,220	\$ 2,005,162	\$ 1,930,829	\$ 1,985,372
Contributions in Relation to the Contractually Required Contribution	<u>2,083,220</u>	<u>2,005,162</u>	<u>1,930,829</u>	<u>1,985,372</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,880,143	\$ 14,322,588	\$ 13,791,638	\$ 14,181,228
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,894,226	\$ 1,853,643	\$ 1,680,363	\$ 1,618,672	\$ 1,592,391	\$ 1,621,032
<u>1,894,226</u>	<u>1,853,643</u>	<u>1,680,363</u>	<u>1,618,672</u>	<u>1,592,391</u>	<u>1,621,032</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST FOUR FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.1056470%	0.1091548%	0.1162919%	0.1163997%
District's Proportionate Share of the Net OPEB Liability	\$ 2,656,792	\$ 3,028,249	\$ 3,120,969	\$ 3,317,823
District's Covered Payroll	\$ 3,703,430	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	71.74%	83.45%	80.59%	90.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB (ASSET)/LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST FOUR FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB (Asset)/Liability	0.12156900%	0.12138018%	0.12633742%	0.12391827%
District's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (2,013,474)	\$ (1,950,456)	\$ 4,929,220	\$ 6,627,181
District's Covered Payroll	\$ 14,322,586	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187
District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-14.06%	-14.14%	34.76%	48.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution (1)	\$ 31,158	\$ 55,717	\$ 90,289	\$ 49,845
Contributions in Relation to the Contractually Required Contribution	<u>31,158</u>	<u>55,717</u>	<u>90,289</u>	<u>49,845</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,793,300	\$ 3,703,433	\$ 3,628,970	\$ 3,872,423
Contributions as a Percentage of Covered Payroll (1)	0.82%	1.50%	2.49%	1.29%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 50,061	\$ 69,064	\$ 42,230	\$ 40,306	\$ 61,713	\$ 87,033
<u>50,061</u>	<u>69,064</u>	<u>42,230</u>	<u>40,306</u>	<u>61,713</u>	<u>87,033</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954
1.36%	2.02%	1.34%	1.34%	2.07%	2.86%

**HAMILTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,880,143	\$ 14,322,588	\$ 13,791,638	\$ 14,181,228
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 130,045	\$ 123,606	\$ 122,492	\$ 124,695
-	-	130,045	123,606	122,492	124,695
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473
0.00%	0.00%	1.01%	0.99%	1.00%	1.00%

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 1 – NET PENSION LIABILITY**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

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

***Changes in Assumptions – STRS***

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Changes in Benefit Terms - SERS***

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Benefit Terms - STRS***

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 2 – NET OPEB LIABILITY (ASSET)**

***Changes in Assumptions – SERS***

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

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

***Changes in Assumptions – STRS***

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**NOTE 2 – NET OPEB LIABILITY/ (ASSET) (Continued)**

***Changes in Benefit Terms – STRS***

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

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

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	\$ 120,121
Non-Cash Assistance Subtotal:			<u>120,121</u>
Cash Assistance:			
School Breakfast Program	10.553	N/A	230,923
School Breakfast Program: COVID-19	10.553	N/A	43,407
National School Lunch Program	10.555	N/A	583,818
National School Lunch Program: COVID-19			<u>91,839</u>
Cash Assistance Subtotal:			<u>949,987</u>
Total Child Nutrition Cluster			<u>1,070,108</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,070,108</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department Education:</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	42,108
Title I Grants to Local Educational Agencies	84.010	N/A	796,392
Total Title I Grants to Local Educational Agencies			<u>838,500</u>
Special Education Cluster			
Special Education - Grants to States	84.027	N/A	49,833
Special Education - Grants to States	84.027	N/A	627,521
Special Education - Preschool Grants	84.173	N/A	13,165
Total Special Education Cluster			<u>690,519</u>
Improving Teacher Quality State Grants	84.367	N/A	114,586
Total Improving Teacher Quality State Grants			<u>114,586</u>
Student Support and Academic Enrichment Program	84.424	N/A	55,377
<b>Total U.S. Department of Education</b>			<b><u>1,698,982</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 2,769,090</u></b>

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hamilton Local School District (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Hamilton Local School District  
Franklin County  
775 Rathmell Road  
Columbus, Ohio 43207

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Local School District, Franklin County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 4, 2021



# 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 Local School District  
Franklin County  
775 Rathmell Road  
Columbus, Ohio 43207

To the Board of Education:

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

We have audited the Hamilton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Hamilton Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

In our opinion, the Hamilton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

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

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 4, 2021

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies - CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

# OHIO AUDITOR OF STATE KEITH FABER



**HAMILTON LOCAL SCHOOL DISTRICT**

**FRANKLIN 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 3/9/2021**

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