



OHIO AUDITOR OF STATE
KEITH FABER



**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2021**

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HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY
JUNE 30, 2021

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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, 2021, 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.

Efficient • Effective • Transparent

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, 2021, 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 18 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 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 May 3, 2022, 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

May 3, 2022

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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, 2021.

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 \$36.0 million (net position).
- The District's total net position increased by \$4.4 million during the fiscal year.
- As of the close of the fiscal year, the District's general fund balance totaled \$26.7 million, a \$5.4 million increase in comparison with the prior fiscal year. Of this total amount, \$26.3 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, 2021
(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 22 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 20 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.

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, 2021
(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 \$36.0 million at the close of the most recent fiscal year.

Governmental Activities

	<u>2021</u>	<u>Restated 2020</u>
Current and Other Assets	\$ 42,200,772	\$ 37,694,272
Capital Assets	<u>56,418,090</u>	<u>57,304,021</u>
Total Assets	<u>98,618,862</u>	<u>94,998,293</u>
Deferred Amount on Refunding	27,201	30,828
Pension	6,607,769	6,469,231
OPEB	<u>791,447</u>	<u>569,374</u>
Total Deferred Outflows of Resources	<u>7,426,417</u>	<u>7,069,433</u>
Current Liabilities	3,191,715	2,738,786
Long-Term Liabilities:		
Due Within One Year	1,935,923	1,520,743
Due Later One Year:		
Net Pension Liability	36,881,165	33,392,217
Net OPEB Liability	2,272,344	2,656,792
Other Amounts Due Later One Year	<u>16,001,687</u>	<u>17,111,709</u>
Total Liabilities	<u>60,282,834</u>	<u>57,420,247</u>
Property Taxes	5,010,239	7,176,837
Pension	609,246	2,228,969
OPEB	<u>4,162,639</u>	<u>3,663,290</u>
Total Deferred Inflows of Resources	<u>9,782,124</u>	<u>13,069,096</u>
Net Investment in Capital Assets	41,184,163	41,411,426
Restricted	4,825,573	4,268,648
Unrestricted	<u>(10,029,415)</u>	<u>(14,101,691)</u>
Total Net Position	<u>\$ 35,980,321</u>	<u>\$ 31,578,383</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

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

A significant portion of the District's net position (\$41.2 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 (\$4.8 million) represents resources that are subject to external restrictions on how they may be used.

Total net position of the District increased \$4.4 million. Key elements of the District's net position increase are as follows:

Changes in Net Position Governmental Activities		
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues		
Charges for Services	\$ 233,090	\$ 691,294
Operating Grants	<u>5,373,576</u>	<u>4,054,390</u>
Total Program Revenues	5,606,666	4,745,684
General Revenues		
Property Taxes	11,994,868	5,512,596
Payment in Lieu of Taxes	43,119	42,964
Grants and Entitlements	25,220,959	23,376,289
Investment Earnings	143,228	805,152
Other Revenue	<u>203,823</u>	<u>106,188</u>
Total General Revenue	<u>37,605,997</u>	<u>29,843,189</u>
Total Revenues	<u>43,212,663</u>	<u>34,588,873</u>
Expenses:		
Program Expenses		
Instruction	25,346,296	21,370,313
Support Services	10,530,100	11,198,209
Non-Instructional	1,329,224	1,532,360
Extracurricular Activities	1,187,744	1,342,475
Interest and Fiscal Charges	<u>417,361</u>	<u>451,593</u>
Total Expenses	<u>38,810,725</u>	<u>35,894,950</u>
Changes in Net Position	<u>4,401,938</u>	<u>(1,306,077)</u>
Net Position at Beginning of Year	31,578,383	32,751,197
Restatement, See Note 19	<u>-</u>	<u>133,263</u>
Net Position at End of Year	<u>\$ 35,980,321</u>	<u>\$ 31,578,383</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

Operating Grants increased significantly in comparison with the prior fiscal year. This increase is the result of the District receiving revenue from the Coronavirus Relief Fund.

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

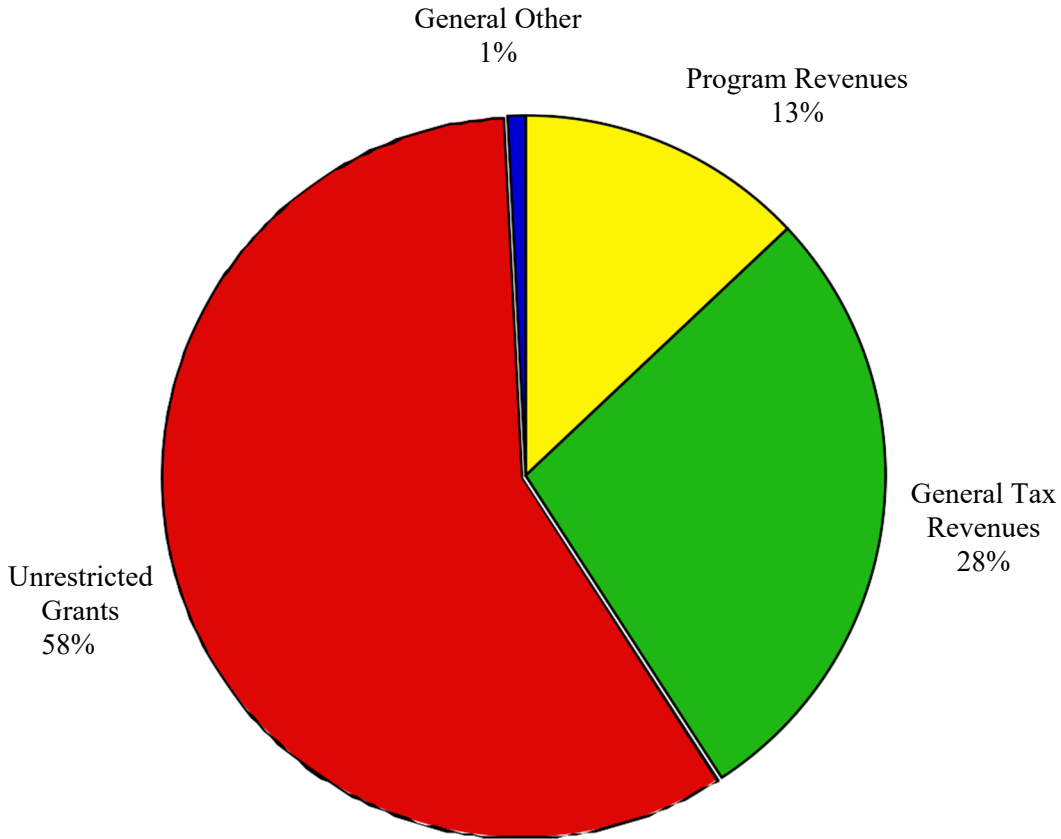
Total Expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the school re-opening with students in the classroom.

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 2021</u>	<u>Total Cost of Services 2020</u>	<u>Net Cost of Services 2021</u>	<u>Net Cost of Services 2020</u>
Program Expenses				
Instruction:				
Regular	\$ 15,425,024	\$ 15,898,575	\$ 15,400,568	\$ 15,819,036
Special	6,295,313	4,047,591	2,850,471	2,782,245
Vocational	130,530	130,585	130,287	110,596
Other	3,495,429	1,293,562	3,492,727	1,288,113
Support Services:				
Pupil	1,360,555	2,058,247	959,408	902,739
Instructional Staff	1,008,502	837,447	879,712	697,147
Board of Education	31,161	31,246	31,161	31,246
Administration	2,807,373	2,962,988	2,647,984	2,719,417
Fiscal Services	829,039	772,307	767,514	708,263
Business Operations	14,160	12,170	14,160	12,170
Maintenance	3,188,190	3,190,878	3,051,248	3,048,101
Pupil Transportation	1,185,427	1,273,676	1,084,765	1,225,711
Central	105,693	59,250	105,693	59,250
Noninstructional Activities	1,329,224	1,532,360	355,711	303,229
Extracurricular Activities	1,187,744	1,342,475	1,015,289	990,410
Interest and Fiscal Charges	417,361	451,593	417,361	451,593
Total Expense	<u>\$ 38,810,725</u>	<u>\$ 35,894,950</u>	<u>\$ 33,204,059</u>	<u>\$ 31,149,266</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)**



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 28 percent of total revenues from tax revenues and 58 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 \$33.5 million of support, as well as the graph above, indicating general revenues comprise 87 percent of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(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 \$31.4 million, an increase of \$6.0 million in comparison with the prior year. Approximately \$26.1 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 (\$66,824), restricted (\$4.8 million), or assigned (\$384,483).

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, 2021 and 2020.

	Fund Balance	Restated Fund Balance	Increase
	June 30, 2021	June 30, 2020	(Decrease)
General Fund	\$ 26,715,777	\$ 21,269,504	\$ 5,446,273
Debt Service Fund	2,609,453	1,962,044	647,409
Other Governmental Funds	<u>2,066,750</u>	<u>2,175,058</u>	<u>(108,308)</u>
Total	<u>\$ 31,391,980</u>	<u>\$ 25,406,606</u>	<u>\$ 5,985,374</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 \$26.3 million, while total fund balance was \$26.7 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 89.5% of total general fund expenditures and total fund balance represents 91.1% of that same amount.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The fund balance of the District's General Fund increased \$5.4 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>Amount</u>	<u>Amount</u>	<u>Change</u>
Revenues			
Property Taxes	\$ 9,188,823	\$ 4,363,240	110.6%
Payment in Lieu of Taxes	46,805	-	100.0%
Intergovernmental	24,973,278	22,982,248	8.7%
Interest	141,806	784,746	-81.9%
Tuition and Fees	39,196	87,573	-55.2%
Extracurricular	37,950	102,762	-63.1%
Other	171,149	207,746	-17.6%
Total	<u>34,599,007</u>	<u>28,528,315</u>	
Expenditures			
Instruction	19,013,815	17,156,173	10.8%
Support Services	9,222,875	8,574,958	7.6%
Non-instructional Services	-	21,618	-100.0%
Extracurricular Activities	849,892	867,233	-2.0%
Capital Outlay	254,932	-	100.0%
Total	<u>29,341,514</u>	<u>26,619,982</u>	
Excess of Revenues Over Expenditures	<u>5,257,493</u>	<u>1,908,333</u>	
Other Financing Uses (Sources)			
Inception of Capital Lease	254,932	-	100.0%
Transfers Out	(66,152)	(83,308)	-20.6%
Total	<u>188,780</u>	<u>(83,308)</u>	
Net Change in Fund Balance	5,446,273	1,825,025	
Beginning Fund Balance	<u>21,269,504</u>	<u>19,444,479</u>	
Ending Fund Balance	<u>\$ 26,715,777</u>	<u>\$ 21,269,504</u>	

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

Property Taxes increased significantly in comparison with the prior fiscal year. This increase is the result of an increase 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, 2021
(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 \$28.9 million. Actual revenues were \$3.8 million higher than final estimated resources. These variances are the result of state foundation revenue.

The variance between original and final appropriations was insignificant. Actual expenditures and other financing uses were \$487,863 more 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 \$56.4 million (net of accumulated depreciation), a decrease of \$885,931 in comparison with the prior fiscal year. This decrease represents the amount in which depreciation (\$1.7 million) exceeded additions (\$802,257) 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 \$15.8 million in outstanding long-term debt, a decrease of \$1.4 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 (\$204,220) exceeded accretion on capital appreciation bonds (\$142,759). 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, 2021, 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, 775 Rathmell Road, Columbus, Ohio 43207.

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

	Primary Government Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 31,055,579
Receivables:	
Property Taxes	8,667,829
Accounts	5,313
Intergovernmental	137,201
Payment in Lieu of Tax	66,522
Interest Receivable	41,961
Prepaid Items	66,824
Nondepreciable Capital Assets	1,247,490
Depreciable Capital Assets, Net	55,170,600
Net OPEB Asset	2,159,543
Total Assets	98,618,862
Deferred Outflows of Resources	
Deferred Amount on Refunding	27,201
Pension	6,607,769
OPEB	791,447
Total Deferred Outflows of Resources	7,426,417
Liabilities	
Accounts Payable	426,889
Accrued Wages and Benefits	2,409,584
Intergovernmental Payable	308,528
Accrued Interest Payable	39,571
Unearned Revenue	7,143
Long Term Liabilities:	
Due Within One Year	1,935,923
Due Later Than One Year:	
Net Pension Liability	36,881,165
Net OPEB Liability	2,272,344
Other Amounts Due Later Than One Year	16,001,687
Total Liabilities	60,282,834
Deferred Inflows of Resources	
Property Taxes	5,010,239
Pension	609,246
OPEB	4,162,639
Total Deferred Inflows of Resources	9,782,124
Net Position	
Net Investment in Capital Assets	41,184,163
Restricted for:	
Debt Service	2,622,497
Capital Projects	1,886,771
Food Services	50,982
Extracurricular Activities	199,075
State and Federal Grants	4,672
Other Purposes	61,576
Unrestricted	(10,029,415)
Total Net Position	\$ 35,980,321

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental Activities				
Instruction				
Regular Instruction	\$ 15,425,024	\$ 24,456	\$ -	\$ (15,400,568)
Special Instruction	6,295,313	11,795	3,433,047	(2,850,471)
Vocational Instruction	130,530	243	-	(130,287)
Other Instruction	3,495,429	2,702	-	(3,492,727)
Support Services				
Pupils	1,360,555	-	401,147	(959,408)
Instructional Staff	1,008,502	-	128,790	(879,712)
Board of Education	31,161	-	-	(31,161)
Administration	2,807,373	-	159,389	(2,647,984)
Fiscal Services	829,039	-	61,525	(767,514)
Business Operations	14,160	-	-	(14,160)
Maintenance	3,188,190	-	136,942	(3,051,248)
Pupil Transportation	1,185,427	-	100,662	(1,084,765)
Central	105,693	-	-	(105,693)
Non-instructional Services	1,329,224	22,139	951,374	(355,711)
Extracurricular Activities	1,187,744	171,755	700	(1,015,289)
Interest and Fiscal Charges	417,361	-	-	(417,361)
Total Governmental Activities	\$ 38,810,725	\$ 233,090	\$ 5,373,576	\$ (33,204,059)

General Revenues

Property Taxes Levied for:	
General Purposes	\$ 9,217,806
Debt Service	2,236,145
Capital Projects	540,917
Payments in Lieu of Taxes	43,119
Grants and Entitlements not Restricted	25,220,959
Investment Earnings	143,228
Miscellaneous	203,823
Total General Revenues	37,605,997

Change in Net Position 4,401,938

Net Position Beginning of Year, Restated 31,578,383

Net Position End of Year \$ 35,980,321

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 27,019,039	\$ 1,926,305	\$ 2,110,235	\$ 31,055,579
Receivables:				
Property Taxes	6,501,684	1,745,828	420,317	8,667,829
Accounts	1,053	-	4,260	5,313
Intergovernmental	-	-	137,201	137,201
Payment in Lieu of Tax	66,522	-	-	66,522
Interest Receivable	41,961	-	-	41,961
Prepaid Items	66,824	-	-	66,824
Due From Other Funds	120,089	-	-	120,089
Total Assets	\$ 33,817,172	\$ 3,672,133	\$ 2,672,013	\$ 40,161,318
Liabilities:				
Accounts Payable	\$ 360,837	\$ -	\$ 66,052	\$ 426,889
Accrued Wages and Benefits	2,296,873	-	112,711	2,409,584
Intergovernmental Payable	298,938	-	9,590	308,528
Due to Other Funds	-	-	120,089	120,089
Unearned Revenue	-	-	7,143	7,143
Compensated Absences Payable	98,840	-	33,832	132,672
Total Liabilities	3,055,488	-	349,417	3,404,905
Deferred Inflows of Resources:				
Unavailable Revenue	288,857	52,615	12,722	354,194
Property Taxes	3,757,050	1,010,065	243,124	5,010,239
Total Deferred Inflows of Resources	4,045,907	1,062,680	255,846	5,364,433
Fund Balances:				
Nonspendable:				
Prepaid Items	66,824	-	-	66,824
Restricted for:				
Capital Projects	-	-	1,874,049	1,874,049
Debt Service	-	2,609,453	-	2,609,453
Food Services	-	-	50,982	50,982
Extracurricular Activities	-	-	199,075	199,075
State and Federal Grants	-	-	4,672	4,672
Other Purposes	-	-	61,576	61,576
Assigned:				
Public School Support	117,622	-	-	117,622
Instruction	40,864	-	-	40,864
Support Services	225,997	-	-	225,997
Unassigned	26,264,470	-	(123,604)	26,140,866
Total Fund Balances	26,715,777	2,609,453	2,066,750	31,391,980
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 33,817,172	\$ 3,672,133	\$ 2,672,013	\$ 40,161,318

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, 2021

Total Governmental Fund Balances \$ 31,391,980

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 56,418,090

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	265,844
Payment in Lieu of Taxes	66,522
Interest	21,828

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	6,607,769
Deferred Outflows - OPEB	791,447
Deferred Inflows - Pension	(609,246)
Deferred Inflows - OPEB	(4,162,639)
Net Pension Liability	(36,881,165)
Net OPEB Asset	2,159,543
Net OPEB Liability	(2,272,344)

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	(13,700,000)
Lease Purchase Agreement Payable	(161,763)
Accumulated Accretion	(988,738)
Unamortized Bond Premiums	(820,549)
Unamortized Deferred Charge on Refunding	27,201
Capital Lease Payable	(567,001)
Accrued Interest Payable	(39,571)
Compensated Absences Payable	(1,566,887)
	(17,817,308)

Net Position of Governmental Activities \$ 35,980,321

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, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 9,188,823	\$ 2,230,175	\$ 539,412	\$ 11,958,410
Payments in Lieu of Taxes	46,805	-	-	46,805
Intergovernmental	24,973,278	174,736	5,479,577	30,627,591
Charges for Services	-	-	23,639	23,639
Interest	141,806	-	-	141,806
Tuition and Fees	39,196	-	-	39,196
Extracurricular Activities	37,950	-	133,805	171,755
Refund of Prior Year Expenditures	-	-	-	-
Other	171,149	-	57,442	228,591
Total Revenues	<u>34,599,007</u>	<u>2,404,911</u>	<u>6,233,875</u>	<u>43,237,793</u>
Expenditures:				
Regular Instruction	12,745,067	-	186,281	12,931,348
Special Instruction	2,647,129	-	3,472,622	6,119,751
Vocational Instruction	126,190	-	-	126,190
Other Instruction	3,495,429	-	-	3,495,429
Pupils	890,320	-	407,500	1,297,820
Instructional Staff	893,467	-	128,381	1,021,848
Board of Education	30,891	-	-	30,891
Administration	2,675,044	-	137,981	2,813,025
Fiscal Services	701,246	26,764	91,399	819,409
Business Operations	14,160	-	-	14,160
Operation and Maintenance of Plant	2,890,609	-	230,969	3,121,578
Pupil Transportation	1,021,445	-	96,713	1,118,158
Central	105,693	-	-	105,693
Non-instructional Services	-	-	1,311,700	1,311,700
Extracurricular Activities	849,892	-	222,193	1,072,085
Capital Outlay	254,932	-	347,356	602,288
Debt service:				
Principal Retirement	-	1,275,000	286,347	1,561,347
Interest and Fiscal Charges	-	455,738	22,259	477,997
Total Expenditures	<u>29,341,514</u>	<u>1,757,502</u>	<u>6,941,701</u>	<u>38,040,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,257,493	647,409	(707,826)	5,197,076
Other Financing Sources (Uses):				
Inception of Capital Lease	254,932	-	533,366	788,298
Transfers In	-	-	66,152	66,152
Transfers Out	(66,152)	-	-	(66,152)
Total Other Financing Sources (Uses)	<u>188,780</u>	<u>-</u>	<u>599,518</u>	<u>788,298</u>
Net Change in Fund Balances	5,446,273	647,409	(108,308)	5,985,374
Fund Balance Beginning of Year, Restated	21,269,504	1,962,044	2,175,058	25,406,606
Fund Balance End of Year	<u>\$ 26,715,777</u>	<u>\$ 2,609,453</u>	<u>\$ 2,066,750</u>	<u>\$ 31,391,980</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, 2021

Net Change in Fund Balances - Total Governmental Funds **\$ 5,985,374**

*Amounts reported for governmental activities in the statement of activities
are different because:*

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	(1,688,188)
Capital Outlay	802,257

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds.

Property Taxes	36,458
Intergovernmental	(57,824)
Payment in Lieu of Taxes	(3,686)
Charges for Services	(1,500)
Interest	1,422

Contractually required contributions are reported as expenditures in governmental funds;
however, the statement of net position reports these amounts as deferred outflows. 2,711,412

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability
are reported as pension expense in the statement of activities. (4,400,434)

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. 211,576

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	1,340,050
Amortization of Deferred Charge on Refunding	(3,627)
Amortization of Bond Premiums	204,220
Accretion of Capital Appreciation Bonds	(142,759)
Inception of Capital Lease	(788,298)
Capital Lease Principal Repayments	221,297

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	(28,614)
Decrease in Accrued Interest Payable	<u>2,802</u>

Change in Net Position of Governmental Activities **\$ 4,401,938**

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, 2021

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,149,860	\$ 5,149,860	\$ 7,036,599	\$ 1,886,739
Payments in Lieu of Taxes	46,805	46,805	46,805	-
Intergovernmental	23,286,476	23,286,476	24,973,278	1,686,802
Interest	150,754	150,754	332,855	182,101
Tuition and Fees	38,890	38,890	38,196	(694)
Extracurricular Activities	38,640	38,640	37,950	(690)
Other	150,011	150,011	147,333	(2,678)
Total Revenues	<u>28,861,436</u>	<u>28,861,436</u>	<u>32,613,016</u>	<u>3,751,580</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,924,465	14,798,609	12,970,338	1,828,271
Special	2,829,105	2,595,229	2,620,154	(24,925)
Vocational	137,780	125,728	127,925	(2,197)
Other	1,475,561	1,293,562	3,459,189	(2,165,627)
Support Services:				
Pupils	904,558	829,406	847,496	(18,090)
Instructional Staff	873,828	660,250	1,105,186	(444,936)
Board of Education	33,874	30,418	30,891	(473)
Administration	2,771,053	2,771,002	2,564,866	206,136
Fiscal Services	726,430	603,313	689,769	(86,456)
Business Operations	14,581	12,170	13,496	(1,326)
Operation and Maintenance of Plant	3,139,808	3,070,058	2,972,350	97,708
Pupil Transportation	1,113,179	1,136,032	1,092,170	43,862
Central	100,658	59,348	112,451	(53,103)
Extracurricular Activities	913,151	867,198	845,218	21,980
Total Expenditures	<u>28,958,031</u>	<u>28,852,323</u>	<u>29,451,499</u>	<u>(599,176)</u>
Excess of Revenues Over (Under) Expenditures	<u>(96,595)</u>	<u>9,113</u>	<u>3,161,517</u>	<u>3,152,404</u>
Other Financing Uses:				
Transfers Out	(71,361)	(177,365)	(66,052)	111,313
Advances Out	(5,977)	(5,532)	(5,532)	-
Total Other Financing Uses	<u>(77,338)</u>	<u>(182,897)</u>	<u>(71,584)</u>	<u>111,313</u>
Net Change in Fund Balance	(173,933)	(173,784)	3,089,933	3,263,717
Fund Balance at Beginning of Year	22,319,988	22,319,988	22,319,988	-
Prior Year Encumbrances Appropriated	95,369	95,369	95,369	-
Fund Balance at End of Year	<u>\$ 22,241,424</u>	<u>\$ 22,241,573</u>	<u>\$ 25,505,290</u>	<u>\$ 3,263,717</u>

See accompanying notes to the basic financial statements.

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, was 2,950. The District employed 181 certified employees and 82 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, 2021.

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 15.

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, 2021

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 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.

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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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.

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 modified accrual for governmental funds.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021**

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, 2021, but which were levied to finance fiscal year 2022 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 custodial 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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021, 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.

The District also invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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 2021 amounted to \$141,806, which includes \$22,996 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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
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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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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>
Early Childhood Education	\$ (5,138)
Title VI-B IDEA	(59,671)
Title I	(57,378)
IDEA Preschool	(17)
Other Federal Grants	(1,400)

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, 2021**

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	\$ 5,446,273
Public School Support Change	10,112
Other Local Funds Change	2,250
Other State Grants Fund Change	30,506
Retirement Funds Change	(228,746)
Revenue Accruals	(1,962,106)
Expenditure Accruals	694,774
Other Financing Sources and Uses	(260,464)
Encumbrances	<u>(642,666)</u>
Budget Basis	<u>\$ 3,089,933</u>

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund, Other State Grant Funds, 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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

Interim monies held by the 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.

**HAMILTON LOCAL SCHOOL DISTRICT
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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk. 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 \$12,680,081 and the bank balance was \$12,904,899. 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Investments - At fiscal year-end, the District had the following investments and maturities:

<u>Investment</u> Type	Fair Value	Investment Maturities		
		Less Than <u>12 Months</u>	12 to 36 <u>Months</u>	Greater Than <u>36 Months</u>
Money Market Funds	\$ 91,996	\$ 91,996	\$ -	\$ -
US Treasury Note	913,670	100,359	117,797	695,514
US Government Agency Notes:				
Federal Farm Credit Bank	2,405,447	360,418	507,070	1,537,959
Federal Home Loan Bank	2,132,166	251,850	-	1,880,316
Federal Home Loan Mortgage	1,618,317	-	329,851	1,288,466
Federal National Mortgage Association	1,023,217	-	596,894	-
Commercial Paper	2,173,884	2,173,884	-	-
Negotiable Certificate of Deposit	8,016,801	1,935,147	5,458,002	623,652
	<u>\$ 18,375,498</u>	<u>\$ 4,913,654</u>	<u>\$ 7,009,614</u>	<u>\$ 6,025,907</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. The District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs). All of the District's fair value measurements are valued using quoted market prices (Level 2 inputs).

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.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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:

	<u>Fair Value</u>	<u>% To Total</u>
Money Market Funds	\$ 91,996	1%
US Treasury Note	913,670	5%
US Government Agency Notes	7,179,147	39%
Commercial Paper	2,173,884	12%
Negotiable Certificate of Deposit	8,016,801	43%
Total	\$ 18,375,498	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:

	<u>Calendar Year 2020</u>		<u>Calendar Year 2021</u>	
	<u>Second Half Collections</u>		<u>First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property - Agricultural / Residential	\$ 139,928,760	51.84%	\$ 171,897,280	53.55%
Real Property - Commercial / Industrial	116,229,330	43.06%	134,629,790	41.95%
Real Property - Public Utilities	232,990	0.09%	248,050	0.08%
Personal Property - Public Utilities	13,515,310	5.01%	14,177,270	4.42%
Total Assessed Values	\$ 269,906,390	100.00%	\$ 320,952,390	100.00%
Tax rate per \$1,000 of assessed valuation		\$ 54.90		\$ 54.15

**HAMILTON LOCAL SCHOOL DISTRICT
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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 2021 second-half property tax payments collected by the County by June 30, 2021 are available to finance fiscal year 2021 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, 2021. 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, 2021 was \$3,391,746.

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 \$1,287,235 and \$82,253, respectively, during the fiscal year. Compensation payments received from the Village during the fiscal year totaled \$46,805.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 – CAPITAL ASSETS

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

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	4,932,258	454,901	-	5,387,159
Vehicles	<u>1,837,968</u>	<u>347,356</u>	-	<u>2,185,324</u>
Total Depreciable Capital Assets	<u>82,921,303</u>	<u>802,257</u>	<u>-</u>	<u>83,723,560</u>
Less Accumulated Depreciation				
Land and Building Improvements	21,119,006	1,538,495	-	22,657,501
Furniture & Equipment	4,335,564	83,728	-	4,419,292
Vehicles	<u>1,410,202</u>	<u>65,965</u>	-	<u>1,476,167</u>
Total Accumulated Depreciation	<u>26,864,772</u>	<u>1,688,188</u>	<u>-</u>	<u>28,552,960</u>
Total Depreciable Capital Assets, Net	<u>56,056,531</u>	<u>(885,931)</u>	<u>-</u>	<u>55,170,600</u>
Total Capital Assets, Net	<u>\$ 57,304,021</u>	<u>\$ (885,931)</u>	<u>\$ -</u>	<u>\$ 56,418,090</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,463,826
Instruction Special	1,660
Instruction Vocational	4,340
Pupils	486
Instructional Staff	1,451
Board of Education	270
Administration	10,428
Fiscal Services	3,413
Operation and Maintenance of Plant	61,892
Pupil Transportation	62,448
Noninstructional Services	9,061
Extracurricular Activities	<u>68,913</u>
	<u>\$ 1,688,188</u>

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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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Plan Description - School Employees Retirement System (SERS)

Plan Description – District 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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
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 zero 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, 2021, 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 2021.

The District’s contractually required contribution to SERS was \$527,868 for fiscal year 2021. Of this amount, \$21,364 is reported as an intergovernmental payable.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. 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 plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,141,879 for fiscal year 2021. Of this amount, \$214,759 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10809470%	0.12287573%	
Prior Measurement Date	<u>0.10877050%</u>	<u>0.12156915%</u>	
Change in Proportionate Share	<u>-0.00067580%</u>	<u>0.00130658%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 7,149,611	\$ 29,731,554	\$ 36,881,165
Pension Expense	\$ 693,233	\$ 3,707,201	\$ 4,400,434

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.

**HAMILTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 13,887	\$ 66,711	\$ 80,598
Net Difference between Projected and Actual Earnings on Pension Plan Investments	453,856	1,445,851	1,899,707
Changes of Assumptions	-	1,596,011	1,596,011
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	-	361,706	361,706
District Contributions Subsequent to the Measurement Date	527,868	2,141,879	2,669,747
Total Deferred Outflows of Resources	\$ 995,611	\$ 5,612,158	\$ 6,607,769
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ -	\$ 190,112	\$ 190,112
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	49,962	369,172	419,134
Total Deferred Inflows of Resources	\$ 49,962	\$ 559,284	\$ 609,246

\$2,669,747 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, 2022. 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:			
2022	\$ (41,203)	\$ 990,779	\$ 949,576
2023	127,709	338,890	466,599
2024	189,178	873,978	1,063,156
2025	142,097	707,348	849,445
	\$ 417,781	\$ 2,910,995	\$ 3,328,776

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 2130.

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

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

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
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.

**HAMILTON LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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 24-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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability	\$ 9,794,094	\$ 7,149,611	\$ 4,930,840

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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

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

*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.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that 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, 2020. 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, 2020.

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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability	\$ 42,332,558	\$ 29,731,554	\$ 19,053,254

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 School District's liability is 6.2 percent of wages paid.

**HAMILTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, 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 2021, this amount was \$23,000. 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 2021, the District's surcharge obligation was \$41,665, which is reported as an intergovernmental payable.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

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, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.10455600%	0.12287600%	
Prior Measurement Date	<u>0.10564700%</u>	<u>0.12156900%</u>	
Change in Proportionate Share	<u>-0.00109100%</u>	<u>0.00130700%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 2,272,344	\$ (2,159,543)	
OPEB Expense	\$ (58,257)	\$ (153,319)	\$ (211,576)

**HAMILTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

At June 30, 2021, 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>
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ 29,845	\$ 138,374	\$ 168,219
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	25,603	75,683	101,286
Changes of Assumptions	387,355	35,647	423,002
Changes in Proportion and Differences between			
District Contributions and Proportionate			
Share of Contributions	-	57,275	57,275
District Contributions Subsequent to the			
Measurement Date	<u>41,665</u>	<u>-</u>	<u>41,665</u>
Total Deferred Outflows of Resources	<u><u>\$ 484,468</u></u>	<u><u>\$ 306,979</u></u>	<u><u>\$ 791,447</u></u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 1,155,646	\$ 430,152	\$ 1,585,798
Net Difference between Projected and			
Actual Earnings on OPEB Plan Investments	-	-	-
Changes of Assumptions	57,236	2,051,210	2,108,446
Changes in Proportion and Differences between			
District Contributions and Proportionate			
Share of Contributions	<u>277,909</u>	<u>190,486</u>	<u>468,395</u>
Total Deferred Inflows of Resources	<u><u>\$ 1,490,791</u></u>	<u><u>\$ 2,671,848</u></u>	<u><u>\$ 4,162,639</u></u>

\$41,665 reported as deferred outflows of resources related to OPEB 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (221,908)	\$ (582,580)	\$ (804,488)
2023	(220,052)	(531,349)	(751,401)
2024	(220,355)	(513,382)	(733,737)
2025	(198,548)	(520,769)	(719,317)
2026	(139,351)	(112,742)	(252,093)
Thereafter	<u>(47,774)</u>	<u>(104,047)</u>	<u>(151,821)</u>
	<u><u>\$ (1,047,988)</u></u>	<u><u>\$ (2,364,869)</u></u>	<u><u>\$ (3,412,857)</u></u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2020, 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	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the 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, 2034. 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 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

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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 (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$ 2,781,293	\$ 2,272,344	\$ 1,867,731

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$ 1,789,298	\$ 2,272,344	\$ 2,918,300

Actuarial Assumptions – STRS

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

Inflation	2.50 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	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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

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

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The actuarial assumptions used in the June 30, 2020 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:

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

*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, 2020. 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, 2020.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,878,944)	\$ (2,159,543)	\$ (2,397,623)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,382,845)	\$ (2,159,543)	\$ (1,887,530)

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

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.

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.

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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.

NOTE 12 – LONG-TERM OBLIGATIONS

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>in One Year</u>
Bonds					
2012 Refunding Bonds:					
Current Interest Bonds	\$ 6,910,000	\$ -	\$ -	\$ 6,910,000	\$ -
Capital Appreciation Bonds	1,400,979	142,759	(555,000)	988,738	516,206
Premium on Bonds	311,949	-	(120,359)	191,590	-
2015 Refunding Bonds					
Current Interest Bonds	7,510,000	-	(720,000)	6,790,000	745,000
Premium on Bonds	<u>712,820</u>	<u>-</u>	<u>(83,861)</u>	<u>628,959</u>	<u>-</u>
Total General Obligation Bonds	<u>16,845,748</u>	<u>142,759</u>	<u>(1,479,220)</u>	<u>15,509,287</u>	<u>1,261,206</u>
Direct Borrowings					
2017 Lease Purchase Agreement	226,813	-	(65,050)	161,763	69,154
Wells Fargo MacBook Lease	<u>-</u>	<u>186,010</u>	<u>(47,505)</u>	<u>138,505</u>	<u>45,510</u>
Total Direct Borrowings	<u>226,813</u>	<u>186,010</u>	<u>(112,555)</u>	<u>300,268</u>	<u>114,664</u>
Net Pension Liability					
SERS	6,507,930	641,681	-	7,149,611	-
STRS	<u>26,884,287</u>	<u>2,847,267</u>	<u>-</u>	<u>29,731,554</u>	<u>-</u>
Total Net Pension Liability	<u>33,392,217</u>	<u>3,488,948</u>	<u>-</u>	<u>36,881,165</u>	<u>-</u>
Net OPEB Liability					
SERS	<u>2,656,792</u>	<u>-</u>	<u>(384,448)</u>	<u>2,272,344</u>	<u>-</u>
Total Net OPEB Liability	<u>2,656,792</u>	<u>-</u>	<u>(384,448)</u>	<u>2,272,344</u>	<u>-</u>
Capital Lease	-	602,288	(173,792)	428,496	212,671
Compensated Absences	<u>1,559,891</u>	<u>279,088</u>	<u>(139,420)</u>	<u>1,699,559</u>	<u>347,382</u>
	<u>\$54,681,461</u>	<u>\$ 4,699,093</u>	<u>\$ (2,289,435)</u>	<u>\$ 57,091,119</u>	<u>\$ 1,935,923</u>

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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.

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.

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.

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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.

Wells Fargo MacBook Lease On October 15, 2020, the District entered into a lease agreement with Well Fargo for the purchase of MacBooks for District students. The District agreed to pay \$190,157 under the lease at an interest rate of 1.49%. The final payment to Wells Fargo is due October 15, 2023.

Per the lease agreement with Wells Fargo, the District pledged the MacBooks as collateral for the debt. In the event of default, Wells Fargo shall have all of the rights of the equipment.

Bus Lease On July 9, 2020, the District entered into a lease agreement with TCF National Bank for the purchase of four school buses. The District agreed to pay \$366,509 under the lease at an interest rate of 3.70%. The final payment to TCF is due in fiscal year 2023.

Per the lease agreement with TCF National Bank, the District pledged the buses as collateral for the debt. In the event of default, TCF National Bank shall have all of the rights of the equipment.

Also, in the event of default, TCF National Bank may also exercise the following rights and remedies:

5. The District may have to pay all of the remaining lease payments
6. TCF National Bank may enter and retake possession of the buses at the District's expense

Touchboards Lease On June 9, 2021, the District entered into a lease agreement with Dell Financing Services for the purchase of touchboards. The District agreed to pay \$263,064 under the lease at an interest rate of 0.51595%. The final payment to Wells Fargo is due in fiscal year 2022.

Per the lease agreement with Dell Financing Services, the District pledged the Touchboards as collateral for the debt. In the event of default, Dell Financing Services shall have all of the rights of the equipment.

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The annual requirement to amortize all bonds outstanding, the lease purchase agreement, and leases as of June 30, 2021 is as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2022	\$ 1,716,007	\$ 498,466	\$ 2,214,473
	2023	1,445,561	503,442	1,949,003
	2024	1,415,934	371,530	1,787,464
	2025	1,395,000	326,175	1,721,175
	2026	1,435,000	279,637	1,714,637
	2027-2031	5,915,000	695,893	6,610,893
	2032-2034	<u>2,095,000</u>	<u>96,375</u>	<u>2,191,375</u>
		<u>\$ 15,417,502</u>	<u>\$ 2,771,518</u>	<u>\$ 18,189,020</u>

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 \$28,885,715 and an unvoted debt limit of \$320,952. 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 thirty percent of unused sick leave up to a maximum of 260 days, not to exceed seventy, 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.

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NOTE 14 – 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, 2020	\$ -
Current fiscal year set-aside requirement	548,079
Current year offsets	(548,079)
Qualifying Disbursements	-
Total	\$ -
 Balance Carried Forward to Fiscal Year 2022	 \$ -
 Set-aside Balance June 30, 2021	 \$ -

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 undertaken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2021, the District still has \$11,347,281 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

NOTE 15 – 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.

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NOTE 16 – 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	\$ 66,052
Athletics	<u>100</u>
Total	<u>\$ 66,152</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, 2021, receivables and payables that resulted from prior year advance transactions were as follows:

<u>Fund</u>	<u>Amount</u>
Early Childhood Education	\$ 5,532
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	<u>1,393</u>
Total	<u>\$ 120,089</u>

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NOTE 17 – 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 – School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2021 are finalized. The impact of future FTE adjustments on the fiscal year 2021 financial statements is not material. ODE posted an adjustment of \$25,027.

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND CHANGE IN NET POSITION/FUND BALANCE

For the fiscal year ended June 30, 2021, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the District's financial statements (see below).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the District.

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GASB Statement No. 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of GASB Statement No. 98 did not have an effect on the financial statements of the District.

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

	Governmental Activities
Net Position, June 30, 2020	\$ 31,445,120
GASB Statement No. 84	133,263
Restated Net Position, June 30, 2020	\$ 31,578,383

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

	Other Governmental Funds
Fund Balance (Deficit), June 30, 2020	\$ 2,041,795
GASB Statement No. 84	133,263
Restated Fund Balance (Deficit), June 30, 2020	\$ 2,175,058

NOTE 19 – COVID-19

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

NOTE 20 – SUBSEQUENT EVENTS

For fiscal year 2022, school district foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$1,469,149 in revenues and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each school district. The District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

On September 14, 2021, the District issued \$6.3 million in refunding bonds to currently refund a portion of the refunding bonds, series 2012. The bonds shall bear an interest rate of approximately 1.00 to 4.00 percent per annum and shall mature in fiscal year 2033.

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 EIGHT FISCAL YEARS (1)

	<u>2021</u>	<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	0.10809470%	0.1087705%	0.1110012%	0.1174833%	0.1169370%	0.1138244%	0.1083000%	0.1083000%
District's Proportionate Share of the Net Pension Liability	\$ 7,149,611	\$ 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	\$ 3,793,300	\$ 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	188.48%	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	68.55%	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 EIGHT FISCAL YEARS (1)

	<u>2021</u>	<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	0.12287573%	0.12156915%	0.12138018%	0.12633742%	0.12391827%	0.12466853%	0.11979199%	0.11979199%
District's Proportionate Share of the Net Pension Liability	\$ 29,731,554	\$ 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	\$ 14,880,143	\$ 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	199.81%	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	75.50%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 527,868	\$ 531,062	\$ 499,963	\$ 489,911
Contributions in Relation to the Contractually Required Contribution	<u>527,868</u>	<u>531,062</u>	<u>499,963</u>	<u>489,911</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,770,486	\$ 3,793,300	\$ 3,703,433	\$ 3,628,970
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$ 542,139	\$ 514,847	\$ 451,087	\$ 437,309	\$ 415,646	\$ 400,641
<u>542,139</u>	<u>514,847</u>	<u>451,087</u>	<u>437,309</u>	<u>415,646</u>	<u>400,641</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,872,423	\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Contractually Required Contribution	\$ 2,141,879	\$ 2,083,220	\$ 2,005,162	\$ 1,930,829
Contributions in Relation to the Contractually Required Contribution	<u>2,141,879</u>	<u>2,083,220</u>	<u>2,005,162</u>	<u>1,930,829</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,299,136	\$ 14,880,143	\$ 14,322,588	\$ 13,791,638
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$ 1,985,372	\$ 1,894,226	\$ 1,853,643	\$ 1,680,363	\$ 1,618,672	\$ 1,592,391
<u>1,985,372</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,181,228	\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158
14.00%	14.00%	14.00%	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 FIVE FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.1045560%	0.1056470%	0.1091548%	0.1162919%	0.1163997%
District's Proportionate Share of the Net OPEB Liability	\$ 2,272,344	\$ 2,656,792	\$ 3,028,249	\$ 3,120,969	\$ 3,317,823
District's Covered Payroll	\$ 3,793,300	\$ 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	59.90%	71.74%	83.45%	80.59%	90.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	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 FIVE FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB (Asset)/Liability	0.12287600%	0.12156900%	0.12138018%	0.12633742%	0.12391827%
District's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (2,159,543)	\$ (2,013,474)	\$ (1,950,456)	\$ 4,929,220	\$ 6,627,181
District's Covered Payroll	\$ 14,880,143	\$ 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	-14.51%	-14.06%	-14.14%	34.76%	48.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	182.10%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution (1)	\$ 41,665	\$ 31,158	\$ 55,717	\$ 90,289
Contributions in Relation to the Contractually Required Contribution	<u>41,665</u>	<u>31,158</u>	<u>55,717</u>	<u>90,289</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,770,486	\$ 3,793,300	\$ 3,703,433	\$ 3,628,970
Contributions as a Percentage of Covered Payroll (1)	1.11%	0.82%	1.50%	2.49%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$ 49,845	\$ 50,061	\$ 69,064	\$ 42,230	\$ 40,306	\$ 61,713
<u>49,845</u>	<u>50,061</u>	<u>69,064</u>	<u>42,230</u>	<u>40,306</u>	<u>61,713</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,872,423	\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739
1.29%	1.36%	2.02%	1.34%	1.34%	2.07%

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,299,136	\$ 14,880,143	\$ 14,322,588	\$ 13,791,638
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$ -	\$ -	\$ -	\$ 130,045	\$ 123,606	\$ 122,492
-	-	-	130,045	123,606	122,492
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,181,228	\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158
0.00%	0.00%	0.00%	1.01%	0.99%	1.00%

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021

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 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
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 2021	5.25 percent initially, decreasing to 4.75 percent
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 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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.

Changes in Benefit Terms – STRS

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

For fiscal year 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, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2020/2021	\$ 95,893
Non-Cash Assistance Subtotal:			<u>95,893</u>
Cash Assistance:			
School Breakfast Program	10.553	2020/2021	236,669
School Breakfast Program: COVID-19	10.553	2020/2021	45,081
National School Lunch Program	10.555	2020/2021	487,892
National School Lunch Program: COVID-19	10.555	2020/2021	71,323
Cash Assistance Subtotal:			<u>840,965</u>
Total Child Nutrition Cluster			<u>936,858</u>
Total U.S. Department of Agriculture			<u>936,858</u>
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Department of Education:</i>			
COVID-19 Coronavirus Relief Fund	21.019	2021	<u>314,505</u>
Total U.S. Department of Treasury			<u>314,505</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department Education:</i>			
Title I Grants to Local Educational Agencies	84.010A	2020/2021	<u>873,128</u>
Total Title I Grants to Local Educational Agencies			<u>873,128</u>
Special Education Cluster			
Special Education - Grants to States	84.027A	2020/2021	631,928
Special Education - Preschool Grant	84.173A	2020/2021	13,262
Total Special Education Cluster			<u>645,190</u>
Supporting Effective Instruction State Grants			
Supporting Effective Instruction State Grants	84.367A	2020/2021	127,778
Total Supporting Effective Instruction State Grants			<u>127,778</u>
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424A	2020/2021	54,921
Total Student Support and Academic Enrichment Program			<u>54,921</u>
COVID-19 Education Stabilization Fund			
COVID-19 Education Stabilization Fund	84.425D	2020/2021	605,381
Total COVID-19 Education Stabilization Fund			<u>605,381</u>
Total U.S. Department of Education			<u>2,306,398</u>
Total Expenditures of Federal Awards			<u>\$ 3,557,761</u>

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, 2021**

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, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, or changes in net position 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.

NOTE F – TRANSFERS BETWEEN FEDERAL PROGRAMS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2021 to 2022 programs:

Program Title	CDFA Number	Amount Transferred
Title I-A Improving Basic Programs	84.010A	\$ 546
Title II-A Supporting Effective Instruction	84.367A	7
IDEA-B Special Education	84.027A	6,590

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2022, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, *Fiduciary Activities* and the financial impact of COVID-19 and the continuing emergency measures, which 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

May 3, 2022

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited 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 Hamilton Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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 programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 programs for the year ended June 30, 2021.

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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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

May 3, 2022

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Coronavirus Relief Fund - AL # 21.019 Education Stabilization Fund – AL # 84.425D
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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 5/31/2022

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

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