



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
JUNE 30, 2019**

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
JUNE 30, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Local School District, Franklin County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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 January 29, 2020, 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

January 29, 2020

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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, 2019.

**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 \$32.8 million (net position).
- The District's total net position increased by \$6.9 million during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$19.4 million, a \$3.4 million increase in comparison with the prior fiscal year. Of this total amount, \$19.1 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, 2019  
(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 17 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 15 governmental funds are combined into a single, aggregated presentation.

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

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

**Notes to the basic financial statements**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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 \$32.8 million at the close of the most recent fiscal year.

**Net Position  
Governmental Activities**

	2019	2018
Current and Other Assets	\$ 35,018,366	\$ 28,243,348
Capital Assets	59,113,752	60,769,935
Total Assets	94,132,118	89,013,283
Deferred Amount on Refunding	43,739	65,935
Pension	9,071,940	12,050,419
OPEB	425,378	478,336
Total Deferred Outflows of Resources	9,541,057	12,594,690
Current Liabilities	2,774,408	2,727,831
Long-Term Liabilities:		
Due Within One Year	1,467,692	1,550,330
Due Later One Year:		
Net Pension Liability	33,046,020	37,031,093
Net OPEB Liability	3,028,249	8,050,189
Other Amounts Due Later One Year	18,259,791	19,325,853
Total Liabilities	58,576,160	68,685,296
Property Taxes	5,776,575	4,902,187
Pension	2,943,004	1,299,700
OPEB	3,626,239	914,414
Total Deferred Inflows of Resources	12,345,818	7,116,301
Net Investment in Capital Assets	41,874,051	42,067,732
Restricted	4,634,609	4,154,653
Unrestricted	(13,757,463)	(20,416,009)
Total Net Position	\$ 32,751,197	\$ 25,806,376

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

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

A significant portion of the District's net position (\$41.9 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 (\$4.6 million) represents resources that are subject to external restrictions on how they may be used.

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

Total net position of the District increased \$6.9 million. Key elements of the District's net position decrease are as follows:

<b>Changes in Net Position Governmental Activities</b>		
	2019	2018
<b>Revenues:</b>		
Program Revenues		
Charges for Services	\$ 977,714	\$ 819,205
Operating Grants	3,509,470	3,461,314
Total Program Revenues	4,487,184	4,280,519
General Revenues		
Property Taxes	8,488,985	7,982,276
Payment in Lieu of Taxes	47,741	46,968
Grants and Entitlements	23,293,329	22,745,025
Investment Earnings	497,847	110,831
Other Revenue	238,937	71,622
Total General Revenue	32,566,839	30,956,722
Total Revenues	37,054,023	35,237,241
<b>Expenses:</b>		
Program Expenses		
Instruction	17,239,517	8,575,874
Support Services	9,590,778	7,228,028
Non-Instructional	1,547,613	1,669,404
Extracurricular Activities	1,229,770	532,801
Interest and Fiscal Charges	501,524	540,839
Total Expenses	30,109,202	18,546,946
Changes in Net Position	6,944,821	16,690,295
Net Position at Beginning of Year	25,806,376	9,116,081
Net Position at End of Year	\$ 32,751,197	\$ 25,806,376

Grants and entitlement revenue increased significantly in comparison with the prior fiscal year. This increase is primarily due to the increase in grants and foundation receipts received by the Department of Education during the fiscal year.

Total Expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in pension/OPEB expense from negative \$12.6 million in fiscal year 2018 to negative \$1.0 million in fiscal year 2019. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments, while still greater than expected.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

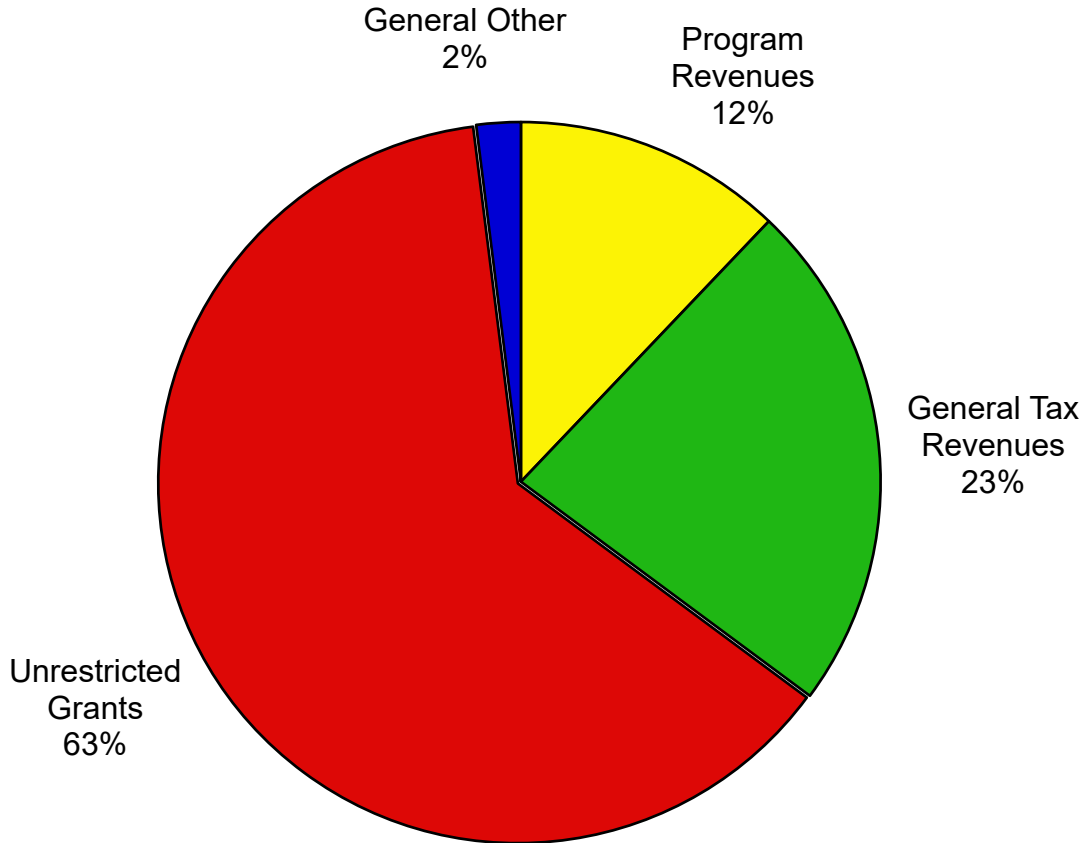
The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities.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

Program Expenses	<u>Total Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2019</u>	<u>Net Cost of Services 2018</u>
Instruction:				
Regular	\$ 12,675,849	\$ 5,652,069	\$ 12,439,968	\$ 5,553,828
Special	3,219,568	1,478,469	1,918,712	105,746
Vocational	120,895	99,933	41,636	21,023
Other	1,223,205	1,345,403	1,210,051	1,335,664
Support Services:				
Pupil	1,284,210	803,083	951,468	485,204
Instructional Staff	715,968	421,934	533,810	241,724
Board of Education	35,240	44,142	35,240	44,142
Administration	2,274,659	864,170	2,056,914	683,240
Fiscal Services	806,459	838,969	735,955	774,881
Business Operations	5,860	304	5,860	304
Maintenance	3,260,001	3,213,849	3,104,625	3,045,591
Pupil Transportation	1,185,247	1,020,237	1,172,610	1,011,816
Central	23,134	21,340	23,134	21,340
Noninstructional Activities	1,547,613	1,669,404	85,355	208,735
Extracurricular Activities	1,229,770	532,801	805,156	192,350
Interest and Fiscal Charges	501,524	540,839	501,524	540,839
Total Expense	<u>\$ 30,109,202</u>	<u>\$ 18,546,946</u>	<u>\$ 25,622,018</u>	<u>\$ 14,266,427</u>

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 23 percent of total revenues from tax revenues and 63 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 \$25.6 million of support, as well as the graph above, indicating general revenues comprise 88 percent of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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 \$24.0 million, an increase of \$3.8 million in comparison with the prior year. Approximately \$19.1 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 (\$64,511), restricted (\$4.5 million), or assigned (\$279,779).

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, 2019 and 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	Increase <u>(Decrease)</u>
General Fund	\$ 19,444,479	\$ 16,044,632	\$ 3,399,847
Debt Service Fund	2,317,197	2,159,424	157,773
Other Governmental Funds	2,205,279	1,957,840	247,439
Total	<u>\$ 23,966,955</u>	<u>\$ 20,161,896</u>	<u>\$ 3,805,059</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 \$19.1 million, while total fund balance was \$19.4 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 71.5% of total general fund expenditures and total fund balance represents 72.7% of that same amount.

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The fund balance of the District's General Fund increased \$3.4 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>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Property Taxes	\$ 6,319,003	\$ 5,954,203	6.1%
Payment in Lieu of Taxes	54,489	67,984	-19.9%
Intergovernmental	23,074,415	22,510,318	2.5%
Charges for Services	-	3,095	-100.0%
Interest	497,847	110,831	349.2%
Tuition and Fees	198,328	134,645	47.3%
Extracurricular	122,135	92,079	32.6%
Other	224,727	109,727	104.8%
Total	<u>30,490,944</u>	<u>28,982,882</u>	
<b>Expenditures</b>			
Instruction	17,109,006	16,834,260	1.6%
Support Services	8,722,598	8,542,594	2.1%
Extracurricular Activities	896,759	836,532	7.2%
Total	<u>26,728,363</u>	<u>26,213,386</u>	
Excess of Revenues Over Expenditures	<u>3,762,581</u>	<u>2,769,496</u>	
<b>Other Financing Uses</b>			
Transfers Out	<u>(362,734)</u>	<u>(115,752)</u>	213.4%
Total	<u>(362,734)</u>	<u>(115,752)</u>	
Net Change in Fund Balance	3,399,847	2,653,744	
Beginning Fund Balance	16,044,632	13,390,888	
Ending Fund Balance	<u>\$ 19,444,479</u>	<u>\$ 16,044,632</u>	

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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 \$29.8 million. The variance between the actual and final revenues was insignificant.

The original appropriations were \$1.3 million less than final appropriations. Actual expenditures and other financing uses were \$860,439 less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

**Capital Assets**

At fiscal year-end, the District's capital assets totaled \$59.1 million (net of accumulated depreciation), a decrease of \$1.7 million in comparison with the prior fiscal year. This decrease represents the amount in which depreciation (\$1.9 million) exceeded additions (\$224,520) 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 \$18.4 million in outstanding long-term debt, a decrease of \$1.3 million in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal payments (\$1.3 million) and premium amortization (\$237,444) exceeded accretion on capital appreciation bonds (\$175,464). 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, 2019, the District's general obligation debt was below the legal limit. Detailed information regarding special needs status is included in Note 12 to the basic financial statements

**Contacting the District's Financial Management**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 23,698,344
Receivables:	
Property Taxes	9,145,668
Accounts	99,680
Intergovernmental	32,463
Payment in Lieu of Tax	27,244
Prepaid Items	64,511
Nondepreciable Capital Assets	1,247,490
Depreciable Capital Assets, Net	57,866,262
Net OPEB Asset	1,950,456
Total Assets	94,132,118
<b>Deferred Outflows of Resources</b>	
Deferred Amount on Refunding	43,739
Pension	9,071,940
OPEB	425,378
Total Deferred Outflows of Resources	9,541,057
<b>Liabilities</b>	
Accounts Payable	218,256
Accrued Wages and Benefits	2,202,745
Intergovernmental Payable	306,920
Accrued Interest Payable	46,487
Long Term Liabilities:	
Due Within One Year	1,467,692
Due Later Than One Year:	
Net Pension Liability	33,046,020
Net OPEB Liability	3,028,249
Other Amounts Due Later Than One Year	18,259,791
Total Liabilities	58,576,160
<b>Deferred Inflows of Resources</b>	
Property Taxes	5,776,575
Pension	2,943,004
OPEB	3,626,239
Total Deferred Inflows of Resources	12,345,818
<b>Net Position</b>	
Net Investment in Capital Assets	41,874,051
Restricted for:	
Debt Service	2,360,013
Capital Projects	1,228,705
Food Services	730,964
Extracurricular Activities	226,452
State and Federal Grants	32,463
Other Purposes	56,012
Unrestricted	(13,757,463)
Total Net Position	\$ 32,751,197

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
<b>Governmental Activities</b>				
<b>Instruction</b>				
Regular Instruction	\$ 12,675,849	\$ 143,282	\$ 92,599	\$ (12,439,968)
Special Instruction	3,219,568	40,499	1,260,357	(1,918,712)
Vocational Instruction	120,895	1,393	77,866	(41,636)
Other Instruction	1,223,205	13,154	-	(1,210,051)
<b>Support Services</b>				
Pupils	1,284,210	-	332,742	(951,468)
Instructional Staff	715,968	-	182,158	(533,810)
Board of Education	35,240	-	-	(35,240)
Administration	2,274,659	-	217,745	(2,056,914)
Fiscal Services	806,459	-	70,504	(735,955)
Business Operations	5,860	-	-	(5,860)
Maintenance	3,260,001	-	155,376	(3,104,625)
Pupil Transportation	1,185,247	-	12,637	(1,172,610)
Central	23,134	-	-	(23,134)
<b>Non-instructional Services</b>	1,547,613	354,772	1,107,486	(85,355)
<b>Extracurricular Activities</b>	1,229,770	424,614	-	(805,156)
<b>Interest and Fiscal Charges</b>	501,524	-	-	(501,524)
<b>Total Governmental Activities</b>	<b>\$ 30,109,202</b>	<b>\$ 977,714</b>	<b>\$ 3,509,470</b>	<b>\$ (25,622,018)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				\$ 6,334,310
Debt Service				1,749,430
Capital Projects				405,245
Payments in Lieu of Taxes				47,741
Grants and Entitlements not Restricted				23,293,329
Investment Earnings				497,847
Miscellaneous				238,937
<b>Total General Revenues</b>				<b>32,566,839</b>
<b>Change in Net Position</b>				<b>6,944,821</b>
<b>Net Position Beginning of Year</b>				<b>25,806,376</b>
<b>Net Position End of Year</b>				<b>\$ 32,751,197</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 19,750,191	\$ 1,715,303	\$ 2,232,850	\$ 23,698,344
Receivables:				
Property Taxes	6,817,052	1,897,591	431,025	9,145,668
Accounts	77,499	-	22,181	99,680
Intergovernmental	-	-	32,463	32,463
Payment in Lieu of Tax	27,244	-	-	27,244
Prepaid Items	64,511	-	-	64,511
Due From Other Funds	14,618	-	-	14,618
Total Assets	<u>\$ 26,751,115</u>	<u>\$ 3,612,894</u>	<u>\$ 2,718,519</u>	<u>\$ 33,082,528</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 158,683	\$ -	\$ 59,573	\$ 218,256
Accrued Wages and Benefits	2,107,232	-	95,513	2,202,745
Intergovernmental Payable	299,047	-	7,873	306,920
Due to Other Funds	-	-	14,618	14,618
Total Liabilities	<u>2,564,962</u>	<u>-</u>	<u>177,577</u>	<u>2,742,539</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	438,662	95,249	62,548	596,459
Property Taxes	4,303,012	1,200,448	273,115	5,776,575
Total Deferred Inflows of Resources	<u>4,741,674</u>	<u>1,295,697</u>	<u>335,663</u>	<u>6,373,034</u>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Items	64,511	-	-	64,511
Restricted for:				
Capital Projects	-	-	1,207,511	1,207,511
Debt Service	-	2,317,197	-	2,317,197
Food Services	-	-	722,073	722,073
Extracurricular Activities	-	-	226,452	226,452
Other Purposes	-	-	56,012	56,012
Assigned:				
Public School Support	156,496	-	-	156,496
Instruction	13,591	-	-	13,591
Support Services	109,692	-	-	109,692
Unassigned	19,100,189	-	(6,769)	19,093,420
Total Fund Balances	<u>19,444,479</u>	<u>2,317,197</u>	<u>2,205,279</u>	<u>23,966,955</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,751,115</u>	<u>\$ 3,612,894</u>	<u>\$ 2,718,519</u>	<u>\$ 33,082,528</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

**Total Governmental Fund Balances** \$ 23,966,955

*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. 59,113,752

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	468,193
Intergovernmental Receivables	32,463
Payment in Lieu of Taxes	27,244
Charges for Services	8,891
Other	59,668

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	9,071,940
Deferred Outflows - OPEB	425,378
Deferred Inflows - Pension	(2,943,004)
Deferred Inflows - OPEB	(3,626,239)
Net Pension Liability	(33,046,020)
Net OPEB Asset	1,950,456
Net OPEB Liability	(3,028,249)

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	(15,470,000)
Lease Purchase Agreement Payable	(288,003)
Accumulated Accretion	(1,385,268)
Unamortized Bond Premiums	(1,246,817)
Unamortized Deferred Charge on Refunding	43,739
Capital Lease Payable	(49,346)
Accrued Interest Payable	(46,487)
Compensated Absences Payable	(1,288,049)
	<u>(19,730,231)</u>

**Net Position of Governmental Activities** \$ 32,751,197

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 6,319,003	\$ 1,744,904	\$ 403,690	\$ 8,467,597
Payments in Lieu of Taxes	54,489	-	-	54,489
Intergovernmental	23,074,415	163,609	3,474,318	26,712,342
Charges for Services	-	-	345,881	345,881
Interest	497,847	-	-	497,847
Tuition and Fees	198,328	-	-	198,328
Extracurricular Activities	122,135	-	302,479	424,614
Other	224,727	-	16,365	241,092
Total Revenues	<u>30,490,944</u>	<u>1,908,513</u>	<u>4,542,733</u>	<u>36,942,190</u>
<b>Expenditures:</b>				
Regular Instruction	13,233,620	-	90,394	13,324,014
Special Instruction	2,522,648	-	1,243,373	3,766,021
Vocational Instruction	129,533	-	-	129,533
Other Instruction	1,223,205	-	-	1,223,205
Pupils	1,082,288	-	334,884	1,417,172
Instructional Staff	581,571	-	186,452	768,023
Board of Education	32,926	-	-	32,926
Administration	2,410,590	-	176,871	2,587,461
Fiscal Services	686,717	33,314	95,639	815,670
Business Operations	5,860	-	-	5,860
Operation and Maintenance of Plant	2,822,781	-	383,803	3,206,584
Pupil Transportation	1,077,583	-	12,637	1,090,220
Central	22,282	-	-	22,282
Non-instructional Services	-	-	1,507,018	1,507,018
Extracurricular Activities	896,759	-	408,701	1,305,460
Debt service:				
Principal Retirement	-	1,200,000	191,346	1,391,346
Interest and Fiscal Charges	-	517,426	26,910	544,336
Total Expenditures	<u>26,728,363</u>	<u>1,750,740</u>	<u>4,658,028</u>	<u>33,137,131</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,762,581	157,773	(115,295)	3,805,059
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	362,734	362,734
Transfers Out	(362,734)	-	-	(362,734)
Total Other Financing Sources (Uses)	<u>(362,734)</u>	<u>-</u>	<u>362,734</u>	<u>-</u>
Net Change in Fund Balances	3,399,847	157,773	247,439	3,805,059
Fund Balance Beginning of Year	16,044,632	2,159,424	1,957,840	20,161,896
Fund Balance End of Year	<u>\$ 19,444,479</u>	<u>\$ 2,317,197</u>	<u>\$ 2,205,279</u>	<u>\$ 23,966,955</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, 2019

**Net Change in Fund Balances - Total Governmental Funds** **\$ 3,805,059**

*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	(1,880,703)
Capital Outlay	224,520

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

Property Taxes	21,388
Intergovernmental	28,634
Payment in Lieu of Taxes	(6,748)
Charges for Services	8,891
Other	59,668

Contractually required contributions are reported as expenditures in governmental funds;  
however, the statement of net position reports these amounts as deferred outflows. 2,560,842

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability  
are reported as pension expense in the statement of activities. (3,141,835)

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. 4,151,896

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	1,257,559
Amortization of Deferred Charge on Refunding	(22,196)
Amortization of Bond Premiums	237,444
Accretion of Capital Appreciation Bonds	(175,464)
Capital Lease Principal Repayments	133,787

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	(320,949)
Decrease in Accrued Interest Payable	3,028

**Change in Net Position of Governmental Activities** **\$ 6,944,821**

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, 2019

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Property Taxes	\$ 4,957,655	\$ 4,957,655	\$ 6,401,289	\$ 1,443,634
Payments in Lieu of Taxes	54,489	54,489	54,489	-
Intergovernmental	24,160,228	24,160,228	23,051,508	(1,108,720)
Interest	283,230	283,230	269,949	(13,281)
Tuition and Fees	207,946	207,946	198,195	(9,751)
Extracurricular Activities	128,144	128,144	122,135	(6,009)
Other	10,974	10,974	10,459	(515)
<b>Total Revenues</b>	<b>29,802,666</b>	<b>29,802,666</b>	<b>30,108,024</b>	<b>305,358</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,221,548	13,471,548	13,123,200	348,348
Special	2,288,165	2,713,165	2,566,711	146,454
Vocational	147,022	147,022	129,288	17,734
Other	1,372,312	1,372,312	1,223,205	149,107
Support Services:				
Pupils	1,062,690	1,192,690	1,092,426	100,264
Instructional Staff	539,921	642,121	582,522	59,599
Board of Education	42,114	42,114	32,926	9,188
Administration	2,325,749	2,325,749	2,406,472	(80,723)
Fiscal Services	847,167	859,967	644,083	215,884
Business Operations	6,170	6,170	5,860	310
Operation and Maintenance of Plant	2,972,727	3,222,727	2,949,724	273,003
Pupil Transportation	1,089,276	1,224,276	1,150,023	74,253
Central	53,243	53,243	39,337	13,906
Extracurricular Activities	857,410	857,410	898,240	(40,830)
<b>Total Expenditures</b>	<b>26,825,514</b>	<b>28,130,514</b>	<b>26,844,017</b>	<b>1,286,497</b>
Excess of Revenues Over (Under) Expenditures	2,977,152	1,672,152	3,264,007	1,591,855
<b>Other Financing Uses:</b>				
Transfers Out	(1,303)	(1,303)	(427,361)	(426,058)
<b>Total Other Financing Uses</b>	<b>(1,303)</b>	<b>(1,303)</b>	<b>(427,361)</b>	<b>(426,058)</b>
Net Change in Fund Balance	2,975,849	1,670,849	2,836,646	1,165,797
Fund Balance at Beginning of Year	16,102,016	16,102,016	16,102,016	-
Prior Year Encumbrances Appropriated	150,122	150,122	150,122	-
<b>Fund Balance at End of Year</b>	<b>\$ 19,227,987</b>	<b>\$ 17,922,987</b>	<b>\$ 19,088,784</b>	<b>\$ 1,165,797</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2019

	Agency Funds
<b>Assets</b>	
Cash and Cash Equivalents	\$ 130,597
Total Assets	<u>\$ 130,597</u>
<b>Liabilities</b>	
Accounts Payable	\$ 1,334
Due to Students	129,263
Total Liabilities	<u>\$ 130,597</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

Average daily membership (ADM) as of June 30, 2019, was 3,108. The District employed 191 certified employees and 81 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, 2019.

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**A. Fund Accounting**

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

*Governmental Fund Types:*

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

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

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

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

*Proprietary Fund Types:*

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

*Fiduciary Fund Types:*

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**B. Basis of Presentation**

*Government-wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

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

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

**C. Basis of Accounting**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*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.

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, 2019, but which were levied to finance fiscal year 2020 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. 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).

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*Expenditures/Expenses*

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

During fiscal year 2019, 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), and U.S. Treasury Money Market Fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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 2019 amounted to \$497,847, which includes \$85,182 assigned from other School 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 \$1,000. The District does not possess any infrastructure.

All reported capital assets, with the exception of land and construction in progress, 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.



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**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.

**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.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**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.

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.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

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

Fund	Fund Balance
IDEA-B	\$ 2,122
Improving Teacher Quality	4,647

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.

**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:

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ 3,399,847
Public School Support Change	(19,132)
Other Local Funds Change	(4,706)
Dental Insurance Fund Change	(166,194)
Revenue Accruals	(171,268)
Expenditure Accruals	72,695
Encumbrances	(274,596)
Budget Basis	\$ 2,836,646

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**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.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. The Ohio Revised Code authorizes the District to invest interim monies in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States corporations; and STAR Ohio.

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**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 \$8,187,400 and the bank balance was \$8,407,262. Of the District's bank balance, \$250,148 was covered by the Federal Depository Insurance Company (FDIC) and the remaining balance was uninsured and collateralized. The District's financial institution was approved for a collateral rate of 50 percent through the Ohio Pooled Collateral System.

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

1. Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

Investment Type	Fair Value	Investment Maturities			
		Less Than 12 Months	12 to 24 Months	24 to 48 Months	48 to 60 Months
Money Market Funds	\$ 146,509	\$ 146,509	-	-	-
US Treasury Note	92,902	92,902	-	-	-
US Government Agency Notes:					
Federal Farm Credit Bank	1,287,420	-	-	894,351	393,069
Federal Home Loan Bank	2,095,108	-	642,933	920,129	532,046
Federal Home Loan Mortgage Association	1,937,153	249,455	-	937,464	750,234
Federal National Mortgage Association	1,577,263	149,286	1,427,977	-	-
Commercial Paper	3,664,853	3,664,853	-	-	-
Negotiable Certificate of Deposit	4,840,333	2,261,841	595,280	743,643	1,239,569
	<u>\$ 15,641,541</u>	<u>\$ 6,564,846</u>	<u>\$ 2,666,190</u>	<u>\$ 3,495,587</u>	<u>\$ 2,914,918</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

	Fair Value	% To Total
Money Market Funds	\$ 146,509	1%
US Treasury Note	92,902	1%
US Government Agency Notes	6,896,944	44%
Commercial Paper	3,664,853	23%
Negotiable Certificate of Deposit	4,840,333	31%
Total	\$ 15,641,541	100%

**NOTE 6 – PROPERTY TAXES**

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 – PROPERTY TAXES (Continued)**

	Calendar Year 2018 Second Half Collections		Calendar Year 2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 137,142,150	51.48%	\$ 138,505,870	51.02%
Real Property - Commercial / Industrial	117,179,140	43.98%	120,165,580	44.27%
Real Property - Public Utilities	207,910	0.08%	211,380	0.08%
Personal Property - Public Utilities	11,892,970	4.46%	12,584,180	4.63%
Total Assessed Values	<u>\$ 266,422,170</u>	<u>100.00%</u>	<u>\$ 271,467,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 55.90		\$ 54.90

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2019 second-half property tax payments collected by the County by June 30, 2019 are available to finance fiscal year 2019 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, 2019. 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, 2019 was \$2,900,900.

**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 \$1,453,716 and \$226,706, respectively, during the fiscal year. Compensation payments received from the Village during the fiscal year totaled \$54,489.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 – CAPITAL ASSETS**

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

<b>Asset Class</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Nondepreciable Capital Assets:				
Land	\$ 1,247,490	\$ -	\$ -	\$ 1,247,490
Total Nondepreciable Capital Assets	<u>1,247,490</u>	<u>-</u>	<u>-</u>	<u>1,247,490</u>
Depreciable Capital Assets:				
Land and Building Improvements	76,133,390	17,687	-	76,151,077
Furniture & Equipment	4,734,200	206,833	-	4,941,033
Vehicles	1,837,968	-	-	1,837,968
Total Depreciable Capital Assets	<u>82,705,558</u>	<u>224,520</u>	<u>-</u>	<u>82,930,078</u>
Less Accumulated Depreciation				
Land and Building Improvements	17,970,050	1,581,662	-	19,551,712
Furniture & Equipment	3,966,274	214,624	-	4,180,898
Vehicles	1,246,789	84,417	-	1,331,206
Total Accumulated Depreciation	<u>23,183,113</u>	<u>1,880,703</u>	<u>-</u>	<u>25,063,816</u>
Total Depreciable Capital Assets, Net	<u>59,522,445</u>	<u>(1,656,183)</u>	<u>-</u>	<u>57,866,262</u>
Total Capital Assets, Net	<u>\$ 60,769,935</u>	<u>\$ (1,656,183)</u>	<u>\$ -</u>	<u>\$ 59,113,752</u>



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,592,652
Instruction Special	1,870
Instruction Vocational	4,340
Pupils	486
Instructional Staff	1,451
Board of Education	2,314
Administration	10,925
Fiscal Services	5,398
Operation and Maintenance of Plant	61,726
Pupil Transportation	79,087
Noninstructional Services	50,380
Extracurricular Activities	70,074
	<u>\$ 1,880,703</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

GASB 68 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 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 liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA’s have been suspended for calendar years 2018, 2019, and 2020.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$499,963 for fiscal year 2019. Of this amount \$50,951 is reported as intergovernmental payable.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

***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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 after termination of employment at age 50 or later.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,005,162 for fiscal year 2019. Of this amount, \$195,136 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,357,244	\$26,688,776	\$33,046,020
Proportion of the Net Pension Liability - Current Measurement Date	0.1110012%	0.12138018%	
Proportion of the Net Pension Liability - Prior Measurement Date	<u>0.1174833%</u>	<u>0.12633742%</u>	
Change in Proportionate Share	<u>-0.0064821%</u>	<u>-0.00495724%</u>	
 Pension Expense	 \$490,421	 \$2,651,414	 \$3,141,835

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

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 348,657	\$ 616,059	\$ 964,716
Change of assumptions	143,561	4,729,754	4,873,315
Changes in proportionate share	65,672	663,112	728,784
School District contributions subsequent to the measurement date	<u>499,963</u>	<u>2,005,162</u>	<u>2,505,125</u>
Total Deferred Outflows of Resources	<u>\$1,057,853</u>	<u>\$8,014,087</u>	<u>\$9,071,940</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 174,294	\$ 174,294
Net difference between projected and actual investment earnings	176,142	1,618,376	1,794,518
Changes in proportionate share	<u>213,133</u>	<u>761,059</u>	<u>974,192</u>
Total Deferred Inflows of Resources	<u>\$ 389,275</u>	<u>\$ 2,553,729</u>	<u>\$ 2,943,004</u>

\$2,505,125 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 year ending June 30, 2020.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$386,036	\$2,429,196	\$2,815,232
2021	45,229	1,441,961	1,487,190
2022	(208,629)	114,860	(93,769)
2023	<u>(54,021)</u>	<u>(530,821)</u>	<u>(584,842)</u>
Total	<u>\$168,615</u>	<u>\$3,455,196</u>	<u>\$3,623,811</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

**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 net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$8,954,658	\$6,357,244	\$4,179,487

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017

For the July 1, 2018, actuarial valuation, 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. 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real 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	1.00	2.25
Total	<u>100.00 %</u>	

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



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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$38,975,444	\$26,688,776	\$16,289,779

**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, 2019, no members of the Board of Education have elected Social Security. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

**Net OPEB Asset/Liability**

The net OPEB asset/liability reported on the statement of net position represents a(n) asset/liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$37,200.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$55,717 for fiscal year 2019. Of this amount \$38,077 is reported as intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/(asset) was measured as of June 30, 2018, 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:

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability/(Asset)	\$3,028,249	(\$1,950,456)	\$1,077,793
Proportion of the Net OPEB Liability/ (Asset) - Current Measurement Date	0.1091548%	0.12138018%	
Proportion of the Net OPEB Liability - Prior Measurement Date	<u>0.1162919%</u>	<u>0.12633742%</u>	
Change in Proportionate Share	<u>-0.0071371%</u>	<u>-0.0049572%</u>	
 OPEB Expense	 \$96,948	 (\$4,248,844)	 (\$4,151,896)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 49,432	\$ 227,816	\$ 277,248
Changes in proportionate share	-	92,413	92,413
School District contributions subsequent to the measurement date	<u>55,717</u>	<u>-</u>	<u>55,717</u>
Total Deferred Outflows of Resources	<u>\$ 105,149</u>	<u>\$ 320,229</u>	<u>\$ 425,378</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 113,640	\$ 113,640
Net difference between projected and actual investment earnings	4,544	222,821	227,365
Changes of assumptions	272,066	2,657,650	2,929,716
Changes in proportionate share	<u>178,865</u>	<u>176,653</u>	<u>355,518</u>
Total Deferred Inflows of Resources	<u>\$ 455,475</u>	<u>\$ 3,170,764</u>	<u>\$ 3,626,239</u>

\$55,717 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 year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$144,339)	(\$506,233)	(\$650,572)
2021	(119,969)	(506,233)	(626,202)
2022	(42,801)	(506,231)	(549,032)
2023	(40,869)	(455,628)	(496,497)
2024	(41,182)	(437,871)	(479,053)
Thereafter	(16,883)	(438,339)	(455,222)
Total	(\$406,043)	(\$2,850,535)	(\$3,256,578)

***Actuarial Assumptions - SERS***

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

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

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

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**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage 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 investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 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.

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

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$3,674,542	\$3,028,249	\$2,516,506

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	1% Decrease (6.25% decreasing to 3.75%)	Discount Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 6.75%)
District's proportionate share of the net OPEB liability	\$2,443,241	\$3,028,249	\$3,802,904

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

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
Health Care Cost Trends	
Pre-Medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Perscription Drug Cost Trends	
Pre-Medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	negative 5.23 percent initial, 4.00 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

\* 10 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 actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB 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. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	(\$1,671,723)	(\$1,950,456)	(\$2,184,717)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	(\$2,171,493)	(\$1,950,456)	(\$1,725,975)

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**Assumption Change Since the Prior Measurement Date** 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 based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** 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.

**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.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**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:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
<b>Bonds</b>					
2011 Refunding Bonds:					
Current Interest Bonds	\$ 1,055,000	\$ -	\$ (400,000)	\$ 655,000	\$ 655,000
Capital Appreciation Bonds	265,787	14,213	(280,000)	-	-
Premium on Bonds	27,287	-	(21,341)	5,946	-
2012 Refunding Bonds:					
Current Interest Bonds	7,055,000	-	(145,000)	6,910,000	-
Capital Appreciation Bonds	1,224,017	161,251	-	1,385,268	131,828
Premium on Bonds	576,432	-	(132,242)	444,190	-
2015 Refunding Bonds					
Current Interest Bonds	8,280,000	-	(375,000)	7,905,000	395,000
Premium on Bonds	880,542	-	(83,861)	796,681	-
Total General Obligation Bonds	<u>19,364,065</u>	<u>175,464</u>	<u>(1,437,444)</u>	<u>18,102,085</u>	<u>1,181,828</u>
<b>Notes from Direct Borrowings</b>					
2017 Lease Purchase Agreement	345,562	-	(57,559)	288,003	61,190
Total Notes from Direct Borrowings	<u>345,562</u>	<u>-</u>	<u>(57,559)</u>	<u>288,003</u>	<u>61,190</u>
<b>Net Pension Liability</b>					
SERS	7,019,368	-	(662,124)	6,357,244	-
STRS	30,011,725	-	(3,322,949)	26,688,776	-
Total Net Pension Liability	<u>37,031,093</u>	<u>-</u>	<u>(3,985,073)</u>	<u>33,046,020</u>	<u>-</u>
<b>Net OPEB Liability</b>					
SERS	3,120,969	-	(92,720)	3,028,249	-
STRS	4,929,220	-	(4,929,220)	-	-
Total Net OPEB Liability	<u>8,050,189</u>	<u>-</u>	<u>(5,021,940)</u>	<u>3,028,249</u>	<u>-</u>
Capital Lease	183,133	-	(133,787)	49,346	49,346
Compensated Absences	983,423	304,626	-	1,288,049	175,328
	<u>\$ 65,957,465</u>	<u>\$ 480,090</u>	<u>\$ (10,635,803)</u>	<u>\$ 55,801,752</u>	<u>\$ 1,467,692</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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.

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**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.

**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.

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The annual requirement to amortize all bonds outstanding and the lease purchase agreement as of June 30, 2019 is as follows:

	Principal	Interest	Total
2020	\$ 1,243,018	\$ 515,091	\$ 1,758,109
2021	1,241,287	566,998	1,808,285
2022	1,231,585	584,725	1,816,310
2023	1,218,288	591,547	1,809,835
2024	1,369,093	370,832	1,739,925
2025-2029	7,460,000	1,140,462	8,600,462
2030-2034	3,380,000	699,458	4,079,458
	\$ 17,143,271	\$ 4,469,113	\$ 21,612,384

The ORC provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations are a voted debt limit of \$24,432,031 and an unvoted debt limit of \$271,467. The District's debt outstanding was within these limits.

**NOTE 13 – COMPENSATED ABSENCES**

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 14 – CAPITAL LEASE OBLIGATIONS**

The District has entered into two lease agreements as lessee for financing the acquisition of computers and a bus. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases did not meet threshold to be capitalized. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 49,346	\$ 2,214	\$ 51,560
Total	\$ 49,346	\$ 2,214	\$ 51,560

**NOTE 15 – STATUTORY RESERVES**

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2018	\$ -
Current fiscal year set-aside requirement	552,528
Current year offsets	(552,528)
Qualifying Disbursements	-
Total	\$ -
Balance Carried Forward to Fiscal Year 2020	\$ -
Set-aside Balance June 30, 2019	\$ -

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, 2019, the District still has \$11,354,856 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 17 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

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

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

<u>Fund</u>	<u>Amount</u>
Classroom Maintenance Fund	\$ 66,052
Food Service	32
Athletics	296,650
Total	<u>\$ 362,734</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, 2019, receivables and payables that resulted from prior year advance transactions were as follows:

<u>Fund</u>	<u>Amount</u>
Athletics	\$ 9,971
Improving Teacher Quality	4,647
Total	<u>\$ 14,618</u>



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**NOTE 18 – CONTINGENCIES**

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

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

**C. Foundation Funding** – District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2019 were finalized on December 13, 2019.

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year ending June 30, 2019, the District has implemented the following:

*GASB Statement No. 83 “Certain Asset Retirement Obligations”* will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the District.

*GASB Statement No. 88 “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”* improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a significant effect on the financial statements of the District.

**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 SIX FISCAL YEARS (1)**

	<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	0.1110012%	0.1174833%	0.1169370%	0.1138244%	0.1083000%	0.1083000%
District's Proportionate Share of the Net Pension Liability	\$ 6,357,244	\$ 7,019,368	\$ 8,558,709	\$ 6,494,931	\$ 5,481,001	\$ 6,440,254
District's Covered Payroll	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.18%	181.27%	232.73%	189.77%	173.71%	214.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 SIX FISCAL YEARS (1)**

	<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	0.12138018%	0.12633742%	0.12391827%	0.12466853%	0.11979199%	0.11979199%
District's Proportionate Share of the Net Pension Liability	\$ 26,688,776	\$ 30,011,725	\$ 41,479,180	\$ 34,454,735	\$ 29,137,558	\$ 34,708,468
District's Covered Payroll	\$ 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	193.51%	211.63%	306.57%	260.23%	225.42%	278.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	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.

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

**LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 499,963	\$ 489,911	\$ 542,139	\$ 514,847
Contributions in Relation to the Contractually Required Contribution	<u>499,963</u>	<u>489,911</u>	<u>542,139</u>	<u>514,847</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,703,433	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 451,087	\$ 437,309	\$ 415,646	\$ 400,641	\$ 382,374	\$ 400,824
<u>451,087</u>	<u>437,309</u>	<u>415,646</u>	<u>400,641</u>	<u>382,374</u>	<u>400,824</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954	\$ 2,960,296
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

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

**LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 2,005,162	\$ 1,930,829	\$ 1,985,372	\$ 1,894,226
Contributions in Relation to the Contractually Required Contribution	<u>2,005,162</u>	<u>1,930,829</u>	<u>1,985,372</u>	<u>1,894,226</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,322,588	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.



<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 1,853,643	\$ 1,680,363	\$ 1,618,672	\$ 1,592,391	\$ 1,621,032	\$ 1,583,463
<u>1,853,643</u>	<u>1,680,363</u>	<u>1,618,672</u>	<u>1,592,391</u>	<u>1,621,032</u>	<u>1,583,463</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473	\$ 12,180,484
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**LAST THREE FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.1091548%	0.1162919%	0.1163997%
District's Proportionate Share of the Net OPEB Liability	\$ 3,028,249	\$ 3,120,969	\$ 3,317,823
District's Covered Payroll	\$ 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	83.45%	80.59%	90.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 THREE FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB (Asset)/Liability	0.12138018%	0.12633742%	0.12391827%
District's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (1,950,456)	\$ 4,929,220	\$ 6,627,181
District's Covered Payroll	\$ 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	-14.14%	34.76%	48.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution (1)	\$ 55,717	\$ 90,289	\$ 49,845	\$ 50,061
Contributions in Relation to the Contractually Required Contribution	<u>55,717</u>	<u>90,289</u>	<u>49,845</u>	<u>50,061</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,703,433	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477
Contributions as a Percentage of Covered Payroll (1)	1.50%	2.49%	1.29%	1.36%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ 69,064	\$ 42,230	\$ 40,306	\$ 61,713	\$ 87,033	\$ 58,473
69,064	42,230	40,306	61,713	87,033	58,473
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954	\$ 2,960,296
2.02%	1.34%	1.34%	2.07%	2.86%	1.98%

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

**LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,322,588	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
\$ -	\$ 130,045	\$ 123,606	\$ 122,492	\$ 124,695	\$ 121,805
-	130,045	123,606	122,492	124,695	121,805
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473	\$ 12,180,484
0.00%	1.01%	0.99%	1.00%	1.00%	1.00%

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**NOTE 1 – NET PENSION LIABILITY**

**School Employees Retirement System**

*Changes in benefit terms:*

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

Fiscal year 2018 The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% 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 assumptions:*

Fiscal year 2017 The SERS Board adopted several assumption changes, including changes to:

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

**State Teachers Retirement System**

*Changes in benefit terms:*

Fiscal year 2018 The cost-of-living adjustment was reduced to zero.

*Changes in assumptions:*

Fiscal year 2018 The STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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**NOTE 1 – NET PENSION LIABILITY (Continued)**

- salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**NOTE 2 – NET OPEB LIABILITY**

**School Employees Retirement System**

*Changes in benefit terms:* There have been no changes to the benefit provisions.

*Changes in Assumptions:*

Fiscal year 2019 The discount rate used to measure the total OPEB liability was increased from 3.63% to 3.70% and the municipal bond rate was increased from 3.56% to 3.62%.

Fiscal year 2018 The discount rate used to measure the total OPEB liability was increased from 2.98% to 3.63% and the municipal bond rate was increased from 2.92% to 3.56%.

**State Teachers Retirement System**

*Changes in benefit terms:* There have been no changes to the benefit provisions.

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

Fiscal year 2018 The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% 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..

*Changes in Assumptions:*

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Fiscal year 2018    The discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*” and the long term expected rate of return was reduced from 7.75% to 7.45%. 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.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	N/A	128,163
Non-Cash Assistance Subtotal:			128,163
Cash Assistance:			
School Breakfast Program	10.553	N/A	307,459
National School Lunch Program	10.555	N/A	819,666
Cash Assistance Subtotal:			1,127,125
Total Child Nutrition Cluster			1,255,288
<b>Total U.S. Department of Agriculture</b>			<b>1,255,288</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department Education:</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	5,988
Title I Grants to Local Educational Agencies	84.010	N/A	770,667
Total Title I Grants to Local Educational Agencies			776,655
Special Education Cluster			
Special Education - Grants to States	84.027	N/A	18,747
Special Education - Grants to States	84.027	N/A	604,665
Special Education - Preschool Grants	84.173	N/A	16,339
Total Special Education Cluster			639,751
Improving Teacher Quality State Grants	84.367	N/A	2,311
Improving Teacher Quality State Grants	84.367	N/A	113,716
Total Improving Teacher Quality State Grants			116,027
Student Support and Academic Enrichment Program	84.424	N/A	55,185
<b>Total U.S. Department of Education</b>			<b>1,587,618</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,842,906</b>

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019. 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.

# 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2020.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the 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 determination of financial statement amounts. 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

January 29, 2020



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

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

To the Board of Education:

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

We have audited the Hamilton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Hamilton Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Hamilton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

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

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

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

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

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



Keith Faber  
Auditor of State

Columbus, Ohio

January 29, 2020



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
June 30, 2019**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**HAMILTON LOCAL SCHOOL DISTRICT**

**FRANKLIN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2020**