



HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Hamilton Local School District
775 Rathmell Road
Columbus, Ohio 43207

We have reviewed the *Independent Auditor's Report* of the Hamilton Local School District, Franklin County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hamilton Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 5, 2019

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HAMILTON LOCAL SCHOOL DISTRICT

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Independent Auditor's Report

Board of Education
Hamilton Local School District
775 Rathmell Road
Columbus, Ohio 43207

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 Hamilton Local School District (District), Franklin County as of and for the year ended June 30, 2018, and 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' *Governmental 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 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, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 5-15 and schedules of net pension/OPEB liabilities and pension/OPEB 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 inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

Supplementary and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Board of Education
Hamilton Local School District
Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2019, 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 9, 2019

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018.

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 \$25.8 million (net position).
- The District's total net position increased by \$16.7 million during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$16.0 million, a \$2.7 million increase in comparison with the prior fiscal year. Of this total amount, \$15.8 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 government'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 17-18 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, 2018
(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 16 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 14 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 19-23 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 24 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 25 of this report.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 \$25.8 million at the close of the most recent fiscal year.

**Net Position
Governmental Activities**

	<u>2018</u>	<u>Restated 2017</u>
Current and Other Assets	\$ 28,243,348	\$ 26,272,858
Capital Assets	60,769,935	62,472,574
Total Assets	<u>89,013,283</u>	<u>88,745,432</u>
Deferred Amount on Refunding	65,935	88,131
Pension	12,050,419	10,051,639
OPEB	478,336	49,845
Total Deferred Outflows of Resources	<u>12,594,690</u>	<u>10,189,615</u>
Current Liabilities	2,727,831	2,810,671
Long-Term Liabilities:		
Due Within One Year	1,550,330	1,848,668
Due Later One Year:		
Net Pension Liability	37,031,093	50,037,889
Net OPEB Liability	8,050,189	9,945,004
Other Amounts Due Later One Year	19,325,853	20,129,913
Total Liabilities	<u>68,685,296</u>	<u>84,772,145</u>
Property Taxes	4,902,187	5,001,386
Pension	1,299,700	45,435
OPEB	914,414	-
Total Deferred Inflows of Resources	<u>7,116,301</u>	<u>5,046,821</u>
Net Investment in Capital Assets	42,067,732	42,630,356
Restricted	4,154,653	4,619,973
Unrestricted	(20,416,009)	(38,134,248)
Total Net Position	<u>\$ 25,806,376</u>	<u>\$ 9,116,081</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.*" For fiscal year 2018, the District adopted GASB Statement 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,*" which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's financial statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$19.0 million to \$9.1 million.

The net pension and net OPEB liabilities 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.

A significant portion of the District's net position (\$42.1 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 (\$4.2 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, 2018
(UNAUDITED)**

Total net position of the District increased \$16.7 million. Key elements of the District's net position decrease are as follows:

Changes in Net Position Governmental Activities		
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$ 819,205	\$ 713,892
Operating Grants	3,461,314	3,413,734
Capital Grants and Contributions	-	145,000
Total Program Revenues	4,280,519	4,272,626
General Revenues		
Property Taxes	7,982,276	7,160,178
Payment in Lieu of Taxes	46,968	109,620
Grants and Entitlements	22,745,025	22,462,933
Investment Earnings	110,831	87,669
Other Revenue	71,622	308,983
Total General Revenue	30,956,722	30,129,383
Total Revenues	35,237,241	34,402,009
Expenses:		
Program Expenses		
Instruction	8,575,874	21,344,796
Support Services	7,228,028	11,030,290
Non-Instructional	1,669,404	1,703,623
Extra Curricular Activities	532,801	1,225,697
Interest and Fiscal Charges	540,839	542,357
Total Expenses	18,546,946	35,846,763
Changes in Net Position	16,690,295	(1,444,754)
Net Position at Beginning of Year, Restated	9,116,081	N/A
Net Position at End of Year	\$ 25,806,376	\$ 9,116,081

Property taxes increased slightly in comparison with the prior fiscal year. This increase is primarily the result of an increase in property taxes available for advance.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$49,845 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1.3 million. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Total 2018 operating expenses under GASB 75	\$	18,546,946
Negative OPEB expense under GASB 75		1,318,603
2018 contractually required contribution		<u>49,845</u>
Adjusted 2018 operating expenses		19,915,394
Total 2017 operating expenses under GASB 45		<u>35,846,763</u>
Decrease in operating expenses not related to OPEB	\$	(15,931,369)

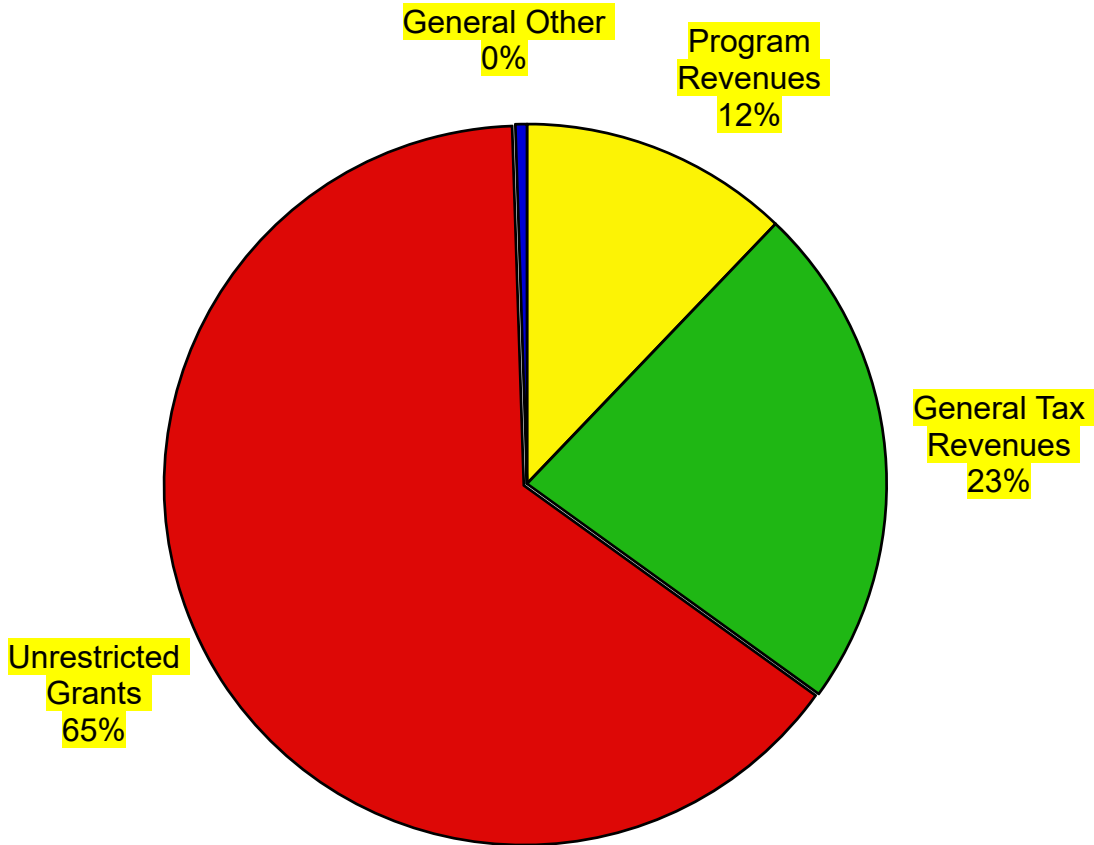
Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from \$4.3 million in fiscal year 2017 to negative \$11.3 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

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

	<u>Total Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2018</u>	<u>Net Cost of Services 2017</u>
Program Expenses				
Instruction:				
Regular	\$ 5,652,069	\$ 15,618,155	\$ 5,553,828	\$ 15,581,127
Special	1,478,469	3,771,538	105,746	2,557,627
Vocational	99,933	115,387	21,023	38,291
Other	1,345,403	1,839,716	1,335,664	1,835,730
Support Services:				
Pupil	803,083	1,410,989	485,204	983,094
Instructional Staff	421,934	776,238	241,724	638,001
Board of Education	44,142	44,249	44,142	44,249
Administration	864,170	2,738,940	683,240	2,601,825
Fiscal Services	838,969	1,099,677	774,881	1,032,352
Business Operations	304	534	304	534
Maintenance	3,213,849	3,651,353	3,045,591	3,462,112
Pupil Transportation	1,020,237	1,195,298	1,011,816	1,185,537
Central	21,340	113,012	21,340	113,012
Noninstructional Activities	1,669,404	1,703,623	208,735	217,549
Extracurricular Activities	532,801	1,225,697	192,350	740,740
Interest and Fiscal Charges	540,839	542,357	540,839	542,357
Total Expense	<u>\$ 18,546,946</u>	<u>\$ 35,846,763</u>	<u>\$ 14,266,427</u>	<u>\$ 31,574,137</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 65 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 \$14.3 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, 2018
(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 \$20.2 million, an increase of \$2.3 million in comparison with the prior year. Approximately \$15.8 million of this amount is available for new spending at the District's discretion (unassigned fund balance). The remainder of fund balance is not available for new spending because it is not in spendable form (\$68,887), restricted (\$4.1 million), or assigned (\$222,850).

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, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase <u>(Decrease)</u>
General Fund	\$ 16,044,632	\$ 13,390,888	\$ 2,653,744
Debt Service Fund	2,159,424	2,314,997	(155,573)
Other Governmental Funds	1,957,840	2,106,526	(148,686)
Total	<u>\$ 20,161,896</u>	<u>\$ 17,812,411</u>	<u>\$ 2,349,485</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 \$15.8 million, while total fund balance was \$16.0 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 60.1% of total general fund expenditures and total fund balance represents 61.2% 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, 2018
(UNAUDITED)

The fund balance of the District's General Fund increased \$2.7 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>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
Revenues			
Property Taxes	\$ 5,954,203	\$ 5,609,394	6.1%
Payment in Lieu of Taxes	67,984	110,015	-38.2%
Intergovernmental	22,510,318	22,227,569	1.3%
Charges for Services	3,095	-	100.0%
Interest	110,831	87,669	26.4%
Tuition and Fees	134,645	42,226	218.9%
Extracurricular	92,079	86,052	7.0%
Other	109,727	347,296	-68.4%
Total	<u>28,982,882</u>	<u>28,510,221</u>	
Expenditures			
Instruction	16,834,260	17,286,141	-2.6%
Support Services	8,542,594	9,239,552	-7.5%
Extracurricular Activities	836,532	858,953	-2.6%
Total	<u>26,213,386</u>	<u>27,384,646</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,769,496</u>	<u>1,125,575</u>	
Other Financing Sources (Uses)			
Transfers Out	<u>(115,752)</u>	<u>(66,052)</u>	75.2%
Total	<u>(115,752)</u>	<u>(66,052)</u>	
Net Change in Fund Balance	2,653,744	1,059,523	
Beginning Fund Balance	<u>13,390,888</u>	<u>12,331,365</u>	
Ending Fund Balance	<u>\$ 16,044,632</u>	<u>\$ 13,390,888</u>	

Property Taxes increased slightly in comparison with the prior fiscal year. This increase is the result of a fluctuation in amounts received by the County but not yet advanced to the District.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 estimated revenues exceeded final estimated revenues by \$2.3 million. This decrease was mainly the result of a decrease in intergovernmental revenues. The District's actual revenues exceeded the estimated revenues by \$2.0 million. This increase was mainly the result of an increase in property tax revenues and intergovernmental revenues.

The variance between the original and final appropriations was insignificant. Actual expenditures and other financing uses were \$1.5 million less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

Capital Assets

At fiscal year-end, the District's capital assets totaled \$60.8 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 (\$203,457) 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 \$19.7 million in outstanding long-term debt, a decrease of \$1.2 million in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal payments (\$1.6 million) and premium amortization (\$246,896) exceeded accretion on capital appreciation bonds (\$188,685) and the issuance of a lease purchase agreement (\$386,479). 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, 2018, 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, 2018

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 19,705,029
Receivables:	
Property Taxes	8,373,854
Accounts	57,757
Intergovernmental	3,829
Payment in Lieu of Tax	33,992
Prepaid Items	68,887
Nondepreciable Capital Assets	1,247,490
Depreciable Capital Assets, Net	59,522,445
Total Assets	89,013,283
Deferred Outflows of Resources	
Deferred Amount on Refunding	65,935
Pension	12,050,419
OPEB	478,336
Total Deferred Outflows of Resources	12,594,690
Liabilities	
Accounts Payable	128,895
Accrued Wages and Benefits	2,188,953
Intergovernmental Payable	360,468
Accrued Interest Payable	49,515
Long Term Liabilities:	
Due Within One Year	1,550,330
Due Later Than One Year:	
Net Pension Liability	37,031,093
Net OPEB Liability	8,050,189
Other Amounts Due Later Than One Year	19,325,853
Total Liabilities	68,685,296
Deferred Inflows of Resources	
Property Taxes	4,902,187
Pension	1,299,700
OPEB	914,414
Total Deferred Inflows of Resources	7,116,301
Net Position	
Net Investment in Capital Assets	42,067,732
Restricted for:	
Debt Service	2,173,345
Capital Projects	1,046,625
Food Services	826,167
Extracurricular Activities	42,024
State and Federal Grants	13,326
Other Purposes	53,166
Unrestricted	(20,416,009)
Total Net Position	\$ 25,806,376

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental Activities				
Instruction				
Regular Instruction	\$ 5,652,069	\$ 97,941	\$ 300	\$ (5,553,828)
Special Instruction	1,478,469	25,921	1,346,802	(105,746)
Vocational Instruction	99,933	1,044	77,866	(21,023)
Other Instruction	1,345,403	9,739	-	(1,335,664)
Support Services				
Pupils	803,083	-	317,879	(485,204)
Instructional Staff	421,934	-	180,210	(241,724)
Board of Education	44,142	-	-	(44,142)
Administration	864,170	-	180,930	(683,240)
Fiscal Services	838,969	-	64,088	(774,881)
Business Operations	304	-	-	(304)
Maintenance	3,213,849	-	168,258	(3,045,591)
Pupil Transportation	1,020,237	-	8,421	(1,011,816)
Central	21,340	-	-	(21,340)
Non-instructional Services	1,669,404	352,109	1,108,560	(208,735)
Extracurricular Activities	532,801	332,451	8,000	(192,350)
Interest and Fiscal Charges	540,839	-	-	(540,839)
Total Governmental Activities	\$ 18,546,946	\$ 819,205	\$ 3,461,314	\$ (14,266,427)
General Revenues				
Property Taxes Levied for:				
General Purposes				\$ 5,905,221
Debt Service				1,710,900
Capital Projects				366,155
Payments in Lieu of Taxes				46,968
Grants and Entitlements not Restricted				22,745,025
Investment Earnings				110,831
Miscellaneous				71,622
Total General Revenues				30,956,722
Change in Net Position				16,690,295
Net Position Beginning of Year, Restated				9,116,081
Net Position End of Year				\$ 25,806,376

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 16,228,731	\$ 1,517,937	\$ 1,958,361	\$ 19,705,029
Receivables:				
Property Taxes	6,213,757	1,775,855	384,242	8,373,854
Accounts	57,757	-	-	57,757
Intergovernmental	-	-	3,829	3,829
Payment in Lieu of Tax	33,992	-	-	33,992
Prepaid Items	68,887	-	-	68,887
Due From Other Funds	14,618	-	-	14,618
Total Assets	<u>\$ 22,617,742</u>	<u>\$ 3,293,792</u>	<u>\$ 2,346,432</u>	<u>\$ 28,257,966</u>
Liabilities:				
Accounts Payable	\$ 128,895	\$ -	\$ -	\$ 128,895
Accrued Wages and Benefits	2,092,800	-	96,153	2,188,953
Intergovernmental Payable	348,242	-	12,226	360,468
Due to Other Funds	-	-	14,618	14,618
Compensated Absences Payable	-	-	16,323	16,323
Total Liabilities	<u>2,569,937</u>	<u>-</u>	<u>139,320</u>	<u>2,709,257</u>
Deferred Inflows of Resources:				
Unavailable Revenue	370,435	90,723	23,468	484,626
Property Taxes	3,632,738	1,043,645	225,804	4,902,187
Total Deferred Inflows of Resources	<u>4,003,173</u>	<u>1,134,368</u>	<u>249,272</u>	<u>5,386,813</u>
Fund Balances:				
Nonspendable:				
Prepaid Items	68,887	-	-	68,887
Restricted for:				
Capital Projects	-	-	1,026,986	1,026,986
Debt Service	-	2,159,424	-	2,159,424
Food Services	-	-	826,167	826,167
Extracurricular Activities	-	-	42,024	42,024
State and Federal Grants	-	-	12,252	12,252
Other Purposes	-	-	53,166	53,166
Assigned:				
Public School Support	132,658	-	-	132,658
Instruction	43,284	-	-	43,284
Support Services	46,908	-	-	46,908
Unassigned	15,752,895	-	(2,755)	15,750,140
Total Fund Balances	<u>16,044,632</u>	<u>2,159,424</u>	<u>1,957,840</u>	<u>20,161,896</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,617,742</u>	<u>\$ 3,293,792</u>	<u>\$ 2,346,432</u>	<u>\$ 28,257,966</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, 2018

Total Governmental Fund Balances \$ 20,161,896

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. 60,769,935

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	446,805
Intergovernmental Receivables	3,829
Payment in Lieu of Taxes	33,992

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	12,050,419
Deferred Outflows - OPEB	478,336
Deferred Inflows - Pension	(1,299,700)
Deferred Inflows - OPEB	(914,414)
Net Pension Liability	(37,031,093)
Net OPEB Liability	(8,050,189)

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	(16,737,269)
Lease Purchase Agreement Payable	(345,562)
Accumulated Accretion	(1,142,535)
Unamortized Bond Premiums	(1,484,261)
Unamortized Deferred Charge on Refunding	65,935
Capital Lease Payable	(183,133)
Accrued Interest Payable	(49,515)
Compensated Absences Payable	(967,100)
	(20,843,440)

Net Position of Governmental Activities \$ 25,806,376

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 5,954,203	\$ 1,724,771	\$ 369,350	\$ 8,048,324
Payments in Lieu of Taxes	67,984	-	-	67,984
Intergovernmental	22,510,318	223,215	3,405,506	26,139,039
Charges for Services	3,095	-	352,109	355,204
Interest	110,831	-	-	110,831
Tuition and Fees	134,645	-	-	134,645
Extracurricular Activities	92,079	-	240,372	332,451
Donations	-	-	8,000	8,000
Other	109,727	-	15,902	125,629
Total Revenues	<u>28,982,882</u>	<u>1,947,986</u>	<u>4,391,239</u>	<u>35,322,107</u>
Expenditures:				
Regular Instruction	12,991,579	-	537,890	13,529,469
Special Instruction	2,353,028	-	1,227,684	3,580,712
Vocational Instruction	144,250	-	-	144,250
Other Instruction	1,345,403	-	-	1,345,403
Pupils	1,079,491	-	324,698	1,404,189
Instructional Staff	540,569	-	156,502	697,071
Board of Education	41,288	-	-	41,288
Administration	2,305,627	-	140,881	2,446,508
Fiscal Services	740,928	32,103	99,175	872,206
Business Operations	304	-	-	304
Operation and Maintenance of Plant	2,814,544	-	489,710	3,304,254
Pupil Transportation	997,942	-	8,421	1,006,363
Central	21,901	-	-	21,901
Non-instructional Services	-	-	1,651,973	1,651,973
Extracurricular Activities	836,532	-	206,353	1,042,885
Capital Outlay	-	-	175,708	175,708
Debt service:				
Principal Retirement	-	1,520,000	175,265	1,695,265
Interest and Fiscal Charges	-	551,456	23,604	575,060
Total Expenditures	<u>26,213,386</u>	<u>2,103,559</u>	<u>5,217,864</u>	<u>33,534,809</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,769,496	(155,573)	(826,625)	1,787,298
Other Financing Sources (Uses):				
Inception of Capital Lease	-	-	175,708	175,708
Proceeds for Lease Purchase Agreement	-	-	386,479	386,479
Transfers In	-	-	115,752	115,752
Transfers Out	(115,752)	-	-	(115,752)
Total Other Financing Sources (Uses)	<u>(115,752)</u>	<u>-</u>	<u>677,939</u>	<u>562,187</u>
Net Change in Fund Balances	2,653,744	(155,573)	(148,686)	2,349,485
Fund Balance Beginning of Year	13,390,888	2,314,997	2,106,526	17,812,411
Fund Balance End of Year	<u>\$ 16,044,632</u>	<u>\$ 2,159,424</u>	<u>\$ 1,957,840</u>	<u>\$ 20,161,896</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, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ 2,349,485**

*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	(1,906,096)
Capital Outlay	203,457

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

Property Taxes	(66,048)
Intergovernmental	2,198
Payment in Lieu of Taxes	(21,016)

Contractually required contributions are reported as expenditures in governmental funds;
however, the statement of net position reports these amounts as deferred outflows. 2,511,029

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability
are reported as pension expense in the statement of activities. 11,330,571

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability
are reported as OPEB expense in the statement of activities. 1,318,603

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	1,560,917
Inception of Lease Purchase Agreement	(386,479)
Amortization of Deferred Charge on Refunding	(22,196)
Amortization of Bond Premiums	246,896
Accretion of Capital Appreciation Bonds	(188,685)
Inception of Capital Lease	(175,708)
Capital Lease Principal Repayments	134,348

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	(199,187)
Decrease in Accrued Interest Payable	(1,794)

Change in Net Position of Governmental Activities **\$ 16,690,295**

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, 2018

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 4,468,892	\$ 4,468,892	\$ 5,819,122	\$ 1,350,230
Payments in Lieu of Taxes	67,984	67,984	67,984	-
Intergovernmental	24,119,887	21,926,529	22,515,783	589,254
Charges for Services	3,321	3,012	3,095	83
Interest	291,176	264,119	271,388	7,269
Tuition and Fees	144,462	131,039	134,645	3,606
Extracurricular Activities	98,793	89,613	92,079	2,466
Other	71,813	65,140	66,933	1,793
Total Revenues	29,266,328	27,016,328	28,971,029	1,954,701
Expenditures:				
Current:				
Instruction:				
Regular	13,360,758	13,360,758	12,962,459	398,299
Special	2,288,513	2,324,497	2,244,166	80,331
Vocational	108,994	108,994	144,138	(35,144)
Other	1,876,509	1,876,509	1,345,403	531,106
Support Services:				
Pupils	1,034,522	1,034,522	1,041,896	(7,374)
Instructional Staff	592,445	594,445	529,348	65,097
Board of Education	41,787	41,787	41,288	499
Administration	2,434,629	2,434,629	2,279,946	154,683
Fiscal Services	891,395	891,395	830,580	60,815
Business Operations	545	545	304	241
Operation and Maintenance of Plant	3,227,660	3,227,660	2,915,319	312,341
Pupil Transportation	1,098,898	1,098,898	1,068,874	30,024
Central	97,547	97,547	52,197	45,350
Extracurricular Activities	867,424	867,424	840,600	26,824
Total Expenditures	27,921,626	27,959,610	26,296,518	1,663,092
Excess of Revenues Over (Under) Expenditures	1,344,702	(943,282)	2,674,511	3,617,793
Other Financing Uses:				
Transfers Out	-	-	(126,552)	(126,552)
Total Other Financing Uses	-	-	(126,552)	(126,552)
Net Change in Fund Balance	1,344,702	(943,282)	2,547,959	3,491,241
Fund Balance at Beginning of Year	13,388,187	13,388,187	13,388,187	-
Prior Year Encumbrances Appropriated	165,870	165,870	165,870	-
Fund Balance at End of Year	\$ 14,898,759	\$ 12,610,775	\$ 16,102,016	\$ 3,491,241

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, 2018

	Agency Funds
Assets	
Cash and Cash Equivalents	\$ 108,877
Total Assets	<u>\$ 108,877</u>
Liabilities	
Due to Students	\$ 108,877
Total Liabilities	<u><u>\$ 108,877</u></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, 2018

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, 2018, was 3,239. The District employed 190 certified employees and 82 classified employees. The District is supervised by the Franklin County Educational Service Center, 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, 2018.

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, 2018

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, 2018

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 total assets) is segregated into net asset components. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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, 2018

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 pension. 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 and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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, 2018

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 2018, 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, 2018

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.

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 assets 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

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

Fund	Fund Balance
Improving Teacher Quality	\$ (2,755)

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:

Net Change in Fund Balance

GAAP Basis	\$ 2,653,744
Public School Support Change	(19,888)
Other Local Grants Change	(1)
Retirement Funds Change	87,405
Other Local Funds Change	1,376
Revenue Accruals	29,647
Expenditure Accruals	(54,202)
Encumbrances	(150,122)
Budget Basis	\$ 2,547,959

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, 2018

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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the District's deposits was \$6,483,104 and the bank balance was \$6,644,131. 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	\$ 119,471	\$ 119,471	-	-	-
US Treasury Bills	263,225	263,225	-	-	-
US Government Agency Notes:					
Federal Farm Credit Bank	1,253,287	-	-	1,109,360	143,927
Federal Home Loan Bank	1,349,161	-	-	452,253	896,908
Federal Home Loan Mortgage Association	1,611,636	345,587	492,595	476,872	296,582
Federal National Mortgage Association	1,734,795	188,685	147,105	1,399,005	-
Commercial Paper	2,132,535	2,132,535	-	-	-
Negotiable Certificate of Deposit	4,866,692	1,667,660	1,894,419	1,065,334	239,279
	<u>\$ 13,330,802</u>	<u>\$ 4,717,163</u>	<u>\$ 2,534,119</u>	<u>\$ 4,502,824</u>	<u>\$ 1,576,696</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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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:

	<u>Fair Value</u>	<u>% To Total</u>
Money Market Funds	\$ 119,471	1%
US Treasury Bills	263,225	2%
US Government Agency Notes	5,948,879	44%
Commercial Paper	2,132,535	16%
Negotiable Certificate of Deposit	4,866,692	37%
Total	<u>\$ 13,330,802</u>	<u>100%</u>

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, 2018

NOTE 6 – PROPERTY TAXES (Continued)

	Calendar Year 2017 Second Half Collections		Calendar Year 2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 122,506,470	53.79%	\$ 137,142,150	51.48%
Real Property - Commercial / Industrial	94,424,060	41.46%	117,179,140	43.98%
Real Property - Public Utilities	211,630	0.09%	207,910	0.08%
Personal Property - Public Utilities	10,604,040	4.66%	11,892,970	4.46%
Total Assessed Values	<u>\$ 227,746,200</u>	<u>100.00%</u>	<u>\$ 266,422,170</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 56.65		\$ 55.90

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 2018 second-half property tax payments collected by the County by June 30, 2018 are available to finance fiscal year 2018 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, 2018. 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, 2018 was \$3,024,862.

NOTE 7 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the Village of Obetz, the District's property tax revenues were reduced by \$1,464,878 during the fiscal year. Compensation payments received from the Village during the fiscal year totaled \$67,984.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 – CAPITAL ASSETS

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

Asset Class	Beginning Balance	Additions	Deletions	Ending Balance
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	76,118,916	14,474	-	76,133,390
Furniture & Equipment	4,720,925	13,275	-	4,734,200
Vehicles	1,662,260	175,708	-	1,837,968
Total Depreciable Capital Assets	<u>82,502,101</u>	<u>203,457</u>	<u>-</u>	<u>82,705,558</u>
Less Accumulated Depreciation				
Land and Building Improvements	16,392,972	1,577,078	-	17,970,050
Furniture & Equipment	3,721,672	244,602	-	3,966,274
Vehicles	1,162,373	84,416	-	1,246,789
Total Accumulated Depreciation	<u>21,277,017</u>	<u>1,906,096</u>	<u>-</u>	<u>23,183,113</u>
Total Depreciable Capital Assets, Net	<u>61,225,084</u>	<u>(1,702,639)</u>	<u>-</u>	<u>59,522,445</u>
Total Capital Assets, Net	<u>\$ 62,472,574</u>	<u>\$ (1,702,639)</u>	<u>\$ -</u>	<u>\$ 60,769,935</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,600,750
Instruction Special	1,870
Instruction Vocational	4,340
Pupils	555
Instructional Staff	1,451
Board of Education	2,854
Administration	8,403
Fiscal Services	8,071
Operation and Maintenance of Plant	65,347
Pupil Transportation	79,115
Noninstructional Services	68,327
Extracurricular Activities	65,013
	<u>\$ 1,906,096</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 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, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$489,911 for fiscal year 2018. Of this amount \$54,087 is reported as an intergovernmental payable.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective 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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,930,829 for fiscal year 2018. Of this amount, \$188,150 is reported as an 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, 2017, 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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$7,019,368	\$30,011,725	\$37,031,093
Proportion of the Net Pension Liability - Current Measurement Date	0.1174833%	0.12633742%	
Proportion of the Net Pension Liability - Prior Measurement Date	0.1169370%	0.12391827%	
Change in Proportionate Share	0.0005463%	0.0024192%	
 Pension Expense	 (\$135,851)	 (\$11,194,720)	 (\$11,330,571)

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2018, 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>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$302,090	\$1,158,911	\$1,461,001
Change of assumptions	362,977	6,563,894	6,926,871
Change in proportionate share	199,501	1,042,306	1,241,807
District contributions subsequent to the measurement date	489,911	1,930,829	2,420,740
Total Deferred Outflows of Resources	<u>\$1,354,479</u>	<u>\$10,695,940</u>	<u>\$12,050,419</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$241,882	\$241,882
Net difference between projected and actual earnings on pension plan investments	33,322	990,420	1,023,742
Change in proportionate share	0	34,076	34,076
Total Deferred Inflows of Resources	<u>\$33,322</u>	<u>\$1,266,378</u>	<u>\$1,299,700</u>

\$2,420,740 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, 2019.

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:			
2019	\$405,756	\$1,718,573	\$2,124,329
2020	476,799	3,199,229	3,676,028
2021	135,089	1,914,676	2,049,765
2022	(186,398)	666,255	479,857
Total	<u>\$831,246</u>	<u>\$7,498,733</u>	<u>\$8,329,979</u>

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017, 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

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% of male rates, and 110% of female rates. Mortality among disable members were based upon the 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.

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. 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.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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	<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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$9,741,058	\$7,019,368	\$4,739,397

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, 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

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	1.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

The 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.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2017. 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, 2017.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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	\$43,020,786	\$30,011,725	\$19,053,541

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

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the Cost of Living Adjustment was reduced to zero.

Social Security

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, 2018, 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 Liability

The net OPEB liability reported on the statement of net position represents a 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.

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

The net OPEB 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 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.

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 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 liability. Resulting adjustments to the net OPEB 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 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 due to other governments 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 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2018, 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 2018, this amount was \$23,700. 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 2018, the District's surcharge obligation was \$72,144.

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 \$90,289 for fiscal year 2018. Of this amount \$73,091 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$3,120,969	\$4,929,220	\$8,050,189
Proportion of the Net OPEB Liability - Current Measurement Date	0.1162919%	0.12633742%	
Proportion of the Net OPEB Liability - Prior Measurement Date	<u>0.1163997%</u>	<u>0.12391827%</u>	
Change in Proportionate Share	-0.0001078%	0.0024192%	
OPEB Expense	\$159,653	(\$1,478,256)	(\$1,318,603)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$284,545	\$284,545
Change in proportionate share	0	103,502	103,502
District contributions subsequent to the measurement date	<u>90,289</u>	<u>0</u>	<u>90,289</u>
Total Deferred Outflows of Resources	<u>\$90,289</u>	<u>\$388,047</u>	<u>\$478,336</u>
Deferred Inflows of Resources			
Changes of assumptions	\$296,164	\$397,065	\$693,229
Net difference between projected and actual earnings on pension plan investments	8,242	210,687	218,929
Change in proportionate share	<u>2,256</u>	<u>0</u>	<u>2,256</u>
Total Deferred Inflows of Resources	<u>\$306,662</u>	<u>\$607,752</u>	<u>\$914,414</u>

\$90,289 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, 2019. 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$110,184)	(\$54,927)	(\$165,111)
2020	(110,184)	(54,927)	(165,111)
2021	(110,184)	(54,927)	(165,111)
2022	23,890	(54,924)	(31,034)
Total	(\$306,662)	(\$219,705)	(\$526,367)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, 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	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	3.63 percent
Measurement Date	2.98 percent
Prior Measurement Date	
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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 %	

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 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 3.56 percent, as of June 30, 2017 (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 (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50 percent decreasing to 4.00 percent) and higher (8.50 percent decreasing to 6.00 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$3,768,968	\$3,120,969	\$2,607,589

	1% Decrease (6.50% decreasing to 4.00%)	Current Discount Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
District's proportionate share of the net OPEB liability	\$2,532,433	\$3,120,969	\$3,899,907

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

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
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 to 11.00 percent initial, 4.50 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, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent 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 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10 percent to 1.90 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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, 2018

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
Total	100.00 %	

* 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 liability was 4.13 percent as of June 30, 2017. 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. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 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 (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$6,617,399	\$4,929,220	\$3,595,007
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$3,424,611	\$4,929,220	\$6,909,462

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 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.

C. Health Insurance

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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
2006 School Improvement Bond					
Current Interest Bonds	\$ 345,000	\$ -	\$ (345,000)	\$ -	\$ -
2011 Refunding Bonds:					
Current Interest Bonds	1,715,000	-	(660,000)	1,055,000	400,000
Capital Appreciation Bonds	237,606	28,181	-	265,787	265,787
2012 Refunding Bonds:					
Current Interest Bonds	7,200,000	-	(145,000)	7,055,000	145,000
Capital Appreciation Bonds	1,063,513	160,504	-	1,224,017	-
2015 Refunding Bonds					
Current Interest Bonds	8,650,000	-	(370,000)	8,280,000	375,000
Bonds Payable	<u>19,211,119</u>	<u>188,685</u>	<u>(1,520,000)</u>	<u>17,879,804</u>	<u>1,185,787</u>
2011 Refunding Bonds					
Premium on Bonds	58,078	-	(30,791)	27,287	-
2012 Refunding Bonds					
Premium on Bonds	708,676	-	(132,244)	576,432	-
2015 Refunding Bonds					
Premium on Bonds	964,403	-	(83,861)	880,542	-
Total Bonds Payable	<u>20,942,276</u>	<u>188,685</u>	<u>(1,766,896)</u>	<u>19,364,065</u>	<u>1,185,787</u>
Net Pension Liability					
SERS	8,558,709	-	(1,539,341)	7,019,368	-
STRS	41,479,180	-	(11,467,455)	30,011,725	-
Total Net Pension Liability	<u>50,037,889</u>	<u>-</u>	<u>(13,006,796)</u>	<u>37,031,093</u>	<u>-</u>
Net OPEB Liability					
SERS	3,317,823	-	(196,854)	3,120,969	-
STRS	6,627,181	-	(1,697,961)	4,929,220	-
Total Net OPEB Liability	<u>9,945,004</u>	<u>-</u>	<u>(1,894,815)</u>	<u>8,050,189</u>	<u>-</u>
2017 Lease Purchase Agreement	-	386,479	(40,917)	345,562	57,559
Capital Lease	141,773	175,708	(134,348)	183,133	133,787
Compensated Absences	894,532	217,782	(128,891)	983,423	173,197
	<u>\$ 81,961,474</u>	<u>\$ 968,654</u>	<u>\$ (16,972,663)</u>	<u>\$ 65,957,465</u>	<u>\$ 1,550,330</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

2006 School Improvement Bonds – On March 1, 2006, the District issued general obligation bonds of \$11,900,000 (par value) with interest rates ranging from 3.15 to 5 percent for the purpose of constructing new school facilities, including paying the local share under the Ohio School Facilities Commission Classroom Facilities Assistance Program; renovating and improving existing school facilities; furnishing and equipping the same; and landscaping and improving sites thereof.

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

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

At fiscal year-end, the amount of defeased bonds outstanding was \$0.

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

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

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

The annual requirement to amortize all bonds outstanding and the lease purchase agreement as of June 30, 2018 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,243,346	\$ 551,628	\$ 1,794,974
2020	1,228,596	529,513	1,758,109
2021	1,189,449	618,836	1,808,285
2022	1,182,562	633,748	1,816,310
2023	1,172,320	637,515	1,809,835
2024-2028	7,234,093	1,385,894	8,619,987
2029-2033	4,235,000	813,758	5,048,758
2034	740,000	11,100	751,100
	<u>\$ 18,225,366</u>	<u>\$ 5,181,992</u>	<u>\$ 23,407,358</u>

The ORC provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations are a voted debt limit of \$23,977,995 and an unvoted debt limit of \$266,422. The District’s debt outstanding was within these limits.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 – COMPENSATED ABSENCES

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

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

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

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

NOTE 14 – CAPITAL LEASE OBLIGATIONS

The District has entered into two lease agreements as lessee for financing the acquisition of computers and a bus. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases did not meet threshold to be capitalized. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 133,787	\$ 6,891	\$ 140,678
2020	49,346	2,214	51,560
Total	<u>\$ 183,133</u>	<u>\$ 9,105</u>	<u>\$ 192,238</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017	\$ -
Current fiscal year set-aside requirement	545,159
Current year offsets	(545,159)
Qualifying Disbursements	-
Total	\$ -
Balance Carried Forward to Fiscal Year 2019	\$ -
Set-aside Balance June 30, 2018	\$ -

The District also had offsets during the fiscal year that reduced the capital acquisition set-aside amount. During fiscal year 2006, the District issued \$11,900,000 in capital related debt based on a building project under taken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2018, the District still has \$11,368,440 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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
Athletics	700
IDEA, Part B	49,000
Total	<u>\$ 115,752</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. During the fiscal year, advances from the District’s General Fund were made. As of June 30, 2018, receivables and payables that resulted from those advance transactions were as follows:

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

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. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year ending June 30, 2018, the District has implemented the following:

GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net Position June 30, 2017	19,011,240
Adjustments:	
Net OPEB Liability	(9,945,004)
Deferred Outflows - Payments Subsequent to Measurement Date	49,845
Restated Net Position June 30, 2017	9,116,081

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 85 “Omnibus 2017” addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 86 “Certain Debt Extinguishment Issues” improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an 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 FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.1174833%	0.1169370%	0.1138244%	0.1083000%	0.1083000%
District's Proportionate Share of the Net Pension Liability	\$ 7,019,368	\$ 8,558,709	\$ 6,494,931	\$ 5,481,001	\$ 6,440,254
District's Covered Payroll	\$ 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	181.27%	232.73%	189.77%	173.71%	214.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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

LAST FIVE FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.12633742%	0.12391827%	0.12466853%	0.11979199%	0.11979199%
District's Proportionate Share of the Net Pension Liability	\$ 30,011,725	\$ 41,479,180	\$ 34,454,735	\$ 29,137,558	\$ 34,708,468
District's Covered Payroll	\$ 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	211.63%	306.57%	260.23%	225.42%	278.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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

LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually Required Contribution	\$ 489,911	\$ 542,139	\$ 514,847	\$ 451,087
Contributions in Relation to the Contractually Required Contribution	489,911	542,139	514,847	451,087
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477	\$ 3,422,508
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 437,309	\$ 415,646	\$ 400,641	\$ 382,374	\$ 400,824	\$ 254,852
<u>437,309</u>	<u>415,646</u>	<u>400,641</u>	<u>382,374</u>	<u>400,824</u>	<u>254,852</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954	\$ 2,960,296	\$ 2,589,959
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,930,829	\$ 1,985,372	\$ 1,894,226	\$ 1,853,643
Contributions in Relation to the Contractually Required Contribution	<u>1,930,829</u>	<u>1,985,372</u>	<u>1,894,226</u>	<u>1,853,643</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187	\$ 13,240,308
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,680,363	\$ 1,618,672	\$ 1,592,391	\$ 1,621,032	\$ 1,583,463	\$ 1,514,152
<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>1,514,152</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473	\$ 12,180,484	\$ 11,647,325
13.00%	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 TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.1162919%	0.1163997%
District's Proportionate Share of the Net OPEB Liability	\$ 3,120,969	\$ 3,317,823
District's Covered Payroll	\$ 3,872,423	\$ 3,677,477
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	80.59%	90.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.12633742%	0.12391827%
District's Proportionate Share of the Net OPEB Liability	\$ 4,929,220	\$ 6,627,181
District's Covered Payroll	\$ 14,181,228	\$ 13,530,187
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.76%	48.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (1)	\$ 90,289	\$ 49,845	\$ 50,061	\$ 69,064
Contributions in Relation to the Contractually Required Contribution	<u>90,289</u>	<u>49,845</u>	<u>50,061</u>	<u>69,064</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,628,970	\$ 3,872,423	\$ 3,677,477	\$ 3,422,508
Contributions as a Percentage of Covered Payroll (1)	2.49%	1.29%	1.36%	2.02%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 42,230	\$ 40,306	\$ 61,713	\$ 87,033	\$ 58,473	\$ 150,218
<u>42,230</u>	<u>40,306</u>	<u>61,713</u>	<u>87,033</u>	<u>58,473</u>	<u>150,218</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954	\$ 2,960,296	\$ 2,589,959
1.34%	1.34%	2.07%	2.86%	1.98%	5.80%

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</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	\$ 13,791,638	\$ 14,181,228	\$ 13,530,187	\$ 13,240,308
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 130,045	\$ 123,606	\$ 122,492	\$ 124,695	\$ 121,805	\$ 159,854
<u>130,045</u>	<u>123,606</u>	<u>122,492</u>	<u>124,695</u>	<u>121,805</u>	<u>159,854</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473	\$ 12,180,484	\$ 11,647,325
1.01%	0.99%	1.00%	1.00%	1.00%	1.37%

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

For 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 enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

State Teachers Retirement System

Changes in benefit terms:

For fiscal year 2018, the COLA was reduced to zero.

Changes in assumptions:

For 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 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.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net OPEB Liability

School Employees Retirement System

Changes in Assumptions:

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

State Teachers Retirement System

Changes in Assumptions:

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent 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 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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HAMILTON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2018

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Passed through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
National School Breakfast Program	2018/2017	10.553	\$0	\$356,036	\$0	\$356,036	\$0
National School Lunch Program	LL-P4-16	10.555	0	880,400	112,146	880,400	112,146
<i>Total Nutrition Cluster</i>			0	1,236,436	112,146	1,236,436	112,146
Total U.S. Department of Agriculture			0	1,236,436	112,146	1,236,436	112,146
U.S. Department of Education							
<i>Passed Through Ohio Department of Education:</i>							
<i>Title I:</i>							
Title I Grants to Local Educational Agencies	C1-S1-18	84.010	0	799,262	0	791,644	0
Title I Grants to Local Educational Agencies	C1-S1-17	84.010	0	0	0	1,485	0
<i>Total Title I</i>			0	799,262	0	793,129	0
<i>Title IIA:</i>							
Title IIA	2018	84.367	0	117,300	0	119,056	0
Title IIA	2017	84.367	0	0	0	238	0
<i>Total Title IIA</i>			0	117,300	0	119,294	0
<i>Title IV A:</i>							
Title IV A	2018	84.424	0	17,624	0	17,625	0
<i>Total Title IIA</i>			0	17,624	0	17,625	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	6B-SD-16	84.027	0	0	0	63,715	0
Special Education - Grants to States (IDEA Part B)	6B-SD-17	84.027	0	0	0	6,650	0
Special Education - Grants to States (IDEA Part B)	6B-SD-18	84.027	0	597,805	0	579,058	0
Special Education Grant	6B-SD-18	84.173	0	8,421	0	8,421	0
<i>Total Special Education Cluster</i>			0	606,226	0	657,844	0
Total U.S. Department of Education			0	1,540,412	0	1,587,892	0
Total Federal Financial Assistance			\$0	\$2,776,848	\$112,146	\$2,824,328	\$112,146

HAMILTON LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2018

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's (the School District) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Education
Hamilton Local School District
775 Rathmell Road
Columbus, Ohio 43207

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District), Franklin County, as of and for the year ended June 30, 2018, 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 9, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control over Financial Reporting

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

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

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

Board of Education
Hamilton Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based Required by
Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion 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 that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 9, 2019

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education
Hamilton Local School District
775 Rathmell Road
Columbus, Ohio 43207

Report on Compliance for Each Major Federal Program

We have audited the Hamilton Local School District (the District), Franklin County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal programs identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Hamilton Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal programs, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be a material weakness or significant deficiency. 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.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 9, 2019

HAMILTON LOCAL SCHOOL DISTRICT
Schedule of Findings
For the Fiscal Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA # 10.553/10.555 Nutrition Cluster CFDA # 84.027/84.173 Special Education Cluster
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

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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
MARCH 19, 2019**