



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014



Dave Yost • Auditor of State

Board of Education
Hamilton City School District
533 Dayton Street
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the Hamilton City School District, Butler County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 24, 2015

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HAMILTON CITY SCHOOL DISTRICT
Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
Hamilton City School District
533 Dayton Street
Hamilton, Ohio 45011

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 City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the respective budgetary comparisons for the General fund and the Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, change in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Members of the Board of Education
Hamilton City School District
Independent Auditor's Report
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 19, 2014

Hamilton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Hamilton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position for fiscal year 2014 increased by \$3,895,646, or 16%, to a total net position amount of \$28,564,116. This was primarily due to an increase in intergovernmental revenue.
- Actual General Fund receipts of \$81,404,367 exceeded actual disbursements of \$80,210,736 for a positive variance of \$1,193,631. The district was pleased that receipts exceeded expenditures.
- General Fund disbursements increased \$2,304,972 in fiscal year 2014 going from \$77,905,764 in fiscal year 2013 to \$80,210,736 in fiscal year 2014. This was primarily due to an increase in the cost of instruction.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components:

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting:

The basis of accounting is a set of guidelines that determines when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Hamilton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities – Cash Basis:

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2014, within the limitations of the cash basis of accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

Reporting the School District's Most Significant Funds

Fund Financial Statements:

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Debt Service Fund, Permanent Improvement Fund and the Classroom Facilities Maintenance Fund.

Governmental Funds:

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services

Hamilton City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 Unaudited

it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

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

The School District as a Whole

Table 1 provides a summary of the District's net position for 2014 compared to 2013 on a cash basis:

Table 1
Net Cash Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
Assets:			
Current Assets	<u>\$28,564,116</u>	<u>\$24,668,470</u>	
Total Assets	<u>28,564,116</u>	<u>24,668,470</u>	\$3,895,646
Net Cash Position:			
Restricted	<u>12,675,168</u>	<u>15,403,199</u>	<u>(2,728,031)</u>
Unrestricted	<u>15,888,948</u>	<u>9,265,271</u>	<u>6,623,677</u>
Total Net Cash Position	<u><u>\$28,564,116</u></u>	<u><u>\$24,668,470</u></u>	<u><u>\$3,895,646</u></u>

Table 2 shows the changes in net positions for the fiscal year ended June 30, 2014. This is the fourth year that Hamilton City School District has prepared financial statements following GASB Statement 34 under the cash basis. A comparative analysis of government-wide data between fiscal year 2013 and fiscal year 2014 is presented below.

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Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Program Receipts:		
Charges for Services and Sales	\$2,773,924	\$2,200,940
Operating Grants and Contributions	26,986,531	16,132,122
Capital Grants and Contributions	0	266,037
Total Program Receipts	<u>29,760,455</u>	<u>18,599,099</u>
General Receipts:		
Property Taxes	26,489,757	26,354,263
Grants and Entitlements	51,781,368	58,380,281
Investment Earnings	44,103	38,048
Other Receipts	347,139	524,844
Total General Receipts	<u>78,662,367</u>	<u>85,297,436</u>
Total Receipts	108,422,822	103,896,535
Program Disbursements:		
Instruction		
Regular	45,691,912	43,897,537
Special	14,069,297	13,515,948
Vocational	1,366,333	1,399,622
Adult Continuing	340,731	309,284
Support Services:		
Pupil and Instructional Staff	9,508,539	12,560,276
School Administrative, General		
Administration, Fiscal and Business	6,344,552	6,450,395
Operations and Maintenance	8,070,593	7,934,835
Pupil Transportation	3,549,730	3,284,174
Central	749,317	959,382
Operation of Non-Instructional Services	4,984,194	5,336,606
Extracurricular Activities	1,205,474	1,151,297
Capital Outlay	475,467	4,823,829
Debt Service:		
Principal Retirement	3,660,000	3,495,000
Interest and fiscal Charges	4,511,037	4,689,938
Total Disbursements	<u>104,527,176</u>	<u>109,808,123</u>
Increase (Decrease) in Net Cash Position	3,895,646	(5,911,588)
Net Cash Position Beginning of Year	<u>24,668,470</u>	<u>30,580,058</u>
Net Cash Position End of Year	<u>\$28,564,116</u>	<u>\$24,668,470</u>

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Changes in Net Positions

Program receipts increased \$11,161,356 from 2013 to 2014.

Grants and Entitlements not Restricted decreased \$6,598,913 in fiscal year 2014.

Regular Instruction program disbursements increased \$1,794,375 in fiscal year 2014 due to a change in accounting practice where open enrollment students out are reported as a disbursement instead of a reduction to open enrollment revenue.

Special Instruction program disbursements increased \$553,349 in fiscal year 2014 due to equipment purchases and increases in excess costs and tuition paid to other school districts.

Capital Outlay decreased \$4,348,362 as the construction program has been completed.

Governmental Activities

The School District has placed an emphasis on directing dollars to the classroom. Recent budget reductions that were necessitated by stagnant and at times reduced revenue streams have been focused on area's outside our core service area which is the classroom.

The district made 58.8% of their total cost for services in the area of instruction in FY14 as compared to 53.8% in FY13. The increase in the percentage directed to instruction is largely due to a significant decrease in capital outlay in FY14, which is providing a truer picture of normal operations.

Capital Outlay decreased by \$4.3 million or 90.1% in FY14 as the construction program comes closer to completion.

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$61,468,273	\$59,122,391	(\$42,814,938)	(\$52,510,460)
Support Services:				
Pupil and Instructional Staff	9,508,539	12,560,276	(6,801,915)	(8,425,264)
School Administrative, General				
Administration, Fiscal and Business	6,344,552	6,450,395	(5,159,635)	(5,777,889)
Operations and Maintenance	8,070,593	7,934,835	(7,710,878)	(7,532,647)
Pupil Transportation	3,549,730	3,284,174	(3,281,262)	(3,228,877)
Central	749,317	959,382	(709,015)	(836,998)
Operation of Non-Instructional Services	4,984,194	5,336,606	984,876	617,464
Extracurricular Activities	1,205,474	1,151,297	(627,450)	(775,389)
Capital Outlay	475,467	4,823,829	(475,467)	(4,554,026)
Principal Retirement	3,660,000	3,495,000	(3,660,000)	(3,495,000)
Interest and Fiscal Charges	4,511,037	4,689,938	(4,511,037)	(4,689,938)
Total Disbursements	\$104,527,176	\$109,808,123	(\$74,766,721)	(\$91,209,024)

Hamilton City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Debt Service, Permanent Improvement and the Classroom Facilities Maintenance Fund. All governmental funds had total receipts of \$108,422,822 and disbursements of \$104,527,176. The four major funds account for 85% of receipts and 87% of the disbursements.

General Fund receipts totaled \$81,404,367 while disbursements totaled \$80,210,736 and other financing sources and uses totaled \$1,158,106. The end result was the General Fund cash balance increase of \$2,351,737.

The Debt Service Fund had \$7,521,575 in receipts and \$8,256,273 in disbursements. The Debt Service Fund cash balance was reduced by \$734,698 in fiscal year 2014 from \$4,632,847 to \$3,898,149.

The Permanent Improvement Fund had \$2,547,383 in receipts against \$1,909,474 in disbursements in fiscal year 2014 resulting in a fund cash balance increase of \$637,909.

The Classroom Facilities Maintenance Fund had receipts of \$614,146 against disbursements of \$526,994 which resulted in the fund cash balance increasing by \$87,152 and having an ending balance of \$3,483,706.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

A summary of the General Fund's original and final budgeted amounts is listed on page 15, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$80,953,678 or \$15,246,092 more than the original budgeted receipts. Final budget basis disbursements were \$80,947,865 or \$13,247,991 more than originally projected.

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Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Debt Administration

Table 4 summarizes the debt outstanding:

	Governmental Activities	
	2014	2013
School Improvement Bonds	\$5,365,000	\$7,100,000
School Improvement Bonds	62,090,000	63,770,000
School Improvement Refunding Bonds	21,260,000	21,505,000
Capital Lease	190,206	317,010
Total Outstanding Debt at Year End	<u>\$88,905,206</u>	<u>\$92,692,010</u>

For more information on Debt, see Notes 12 and 13 of the Basic Financial Statements.

Current Financial Issues and Concerns

The School District has a long history of operating within our available resources. The last operating levy was approved in February 1993. We have lived within our financial resources by employing an annual "right sizing" process that looks at our current and future financial condition. We then adjust the operating budget to avoid future operating deficits. Staying out in front of potential budget problems has served the district well and we have avoided falling off the "financial cliff". This annual process also allows us to make thoughtful decisions that are in the best interest of the organization as a whole.

The district recently received a two level upgrade from A- to A+ in our Standard and Poors credit rating.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert A. Hancock, CPA at 533 Dayton Street, Hamilton, OH 45011 or email me.

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Hamilton City School District
Statement of Net Position - Cash Basis
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,564,116</u>
Total Assets	<u>28,564,116</u>
Net Cash Position:	
Restricted for:	
Debt Service	3,898,149
Capital Projects	1,186,019
Classroom Facilities Maintenance	3,483,706
Extracurricular	111,497
Auxiliary Services	286,645
State Funded Programs	1,103
Federally Funded Programs	1,141,604
Food Service	2,394,371
Other Purposes	172,074
Unrestricted	<u>15,888,948</u>
Total Net Cash Position	<u>\$28,564,116</u>

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$45,691,912	\$884,521	\$3,675,471	(\$41,131,920)
Special	14,069,297	190,171	12,044,389	(1,834,737)
Vocational	1,366,333	22,358	1,412,642	68,667
Adult/Continuing	340,731	0	423,783	83,052
Support Services:				
Pupil	6,338,066	106,299	932,100	(5,299,667)
Instructional Staff	3,170,473	35,832	1,632,393	(1,502,248)
General Administration	459,571	9,174	0	(450,397)
School Administration	4,531,285	71,947	1,077,197	(3,382,141)
Fiscal	1,020,771	17,819	2,222	(1,000,730)
Business	332,925	6,558	0	(326,367)
Operations and Maintenance	8,070,593	152,217	207,498	(7,710,878)
Pupil Transportation	3,549,730	62,697	205,771	(3,281,262)
Central	749,317	12,857	27,445	(709,015)
Operation of Non-Instructional Services	4,984,194	623,450	5,345,620	984,876
Extracurricular Activities	1,205,474	578,024	0	(627,450)
Capital Outlay	475,467	0	0	(475,467)
Debt Service:				
Principal Retirement	3,660,000	0	0	(3,660,000)
Interest and Fiscal Charges	4,511,037	0	0	(4,511,037)
Totals	\$104,527,176	\$2,773,924	\$26,986,531	(74,766,721)

General Receipts:

Property Taxes Levied for:

General Purposes	17,494,221
Special Revenue Purposes	353,802
Debt Service Purposes	6,518,920
Capital Projects Purposes	2,122,814
Grants and Entitlements, Not Restricted	51,781,368
Gifts and Donations	52,182
Investment Earnings	44,103
Other Receipts	294,957

Total General Receipts 78,662,367

Change in Net Cash Position 3,895,646

Net Cash Position - Beginning of Year 24,668,470

Net Cash Position - End of Year \$28,564,116

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014

	General	Classroom Facilities Maintenance	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$11,617,008	\$3,483,706	\$3,898,149	\$4,191,617	\$5,373,636	\$28,564,116
Total Assets	11,617,008	3,483,706	3,898,149	4,191,617	5,373,636	28,564,116
Fund Cash Balances:						
Nonspendable	83,578	0	0	0	0	83,578
Restricted	0	3,483,706	3,898,149	142,541	5,150,772	12,675,168
Committed	0	0	0	4,049,076	0	4,049,076
Assigned	1,519,139	0	0	0	222,864	1,742,003
Unassigned	10,014,291	0	0	0	0	10,014,291
Total Fund Cash Balances	\$11,617,008	\$3,483,706	\$3,898,149	\$4,191,617	\$5,373,636	\$28,564,116

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Cash Receipts, Cash Disbursements
and Changes in Fund Cash Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Classroom Facilities Maintenance	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property and Other Taxes	\$17,494,221	\$353,802	\$6,518,920	\$2,122,814	\$0	\$26,489,757
Tuition and Fees	1,698,951	0	0	0	0	1,698,951
Investment Earnings	42,279	769	0	410	645	44,103
Intergovernmental	61,712,166	259,575	1,002,655	424,159	15,369,344	78,767,899
Extracurricular Activities	145,603	0	0	0	264,473	410,076
Rent	44,839	0	0	0	0	44,839
Gifts and Donations	29,254	0	0	0	52,182	81,436
Charges for Services	98,809	0	0	0	619,569	718,378
Other Receipts	138,245	0	0	0	29,138	167,383
Total Receipts	81,404,367	614,146	7,521,575	2,547,383	16,335,351	108,422,822
Cash Disbursements:						
Current:						
Instruction:						
Regular	44,616,276	176,787	0	656,636	242,213	45,691,912
Special	9,526,197	0	0	6,419	4,536,681	14,069,297
Vocational	1,120,920	0	0	3,202	242,211	1,366,333
Adult/Continuing	0	0	0	0	340,731	340,731
Support Services:						
Pupil	5,603,661	0	0	2,155	732,250	6,338,066
Instructional Staff	1,794,940	0	0	70,251	1,305,282	3,170,473
General Administration	459,571	0	0	0	0	459,571
School Administration	3,604,022	0	0	37,343	889,920	4,531,285
Fiscal	892,599	4,512	85,236	38,424	0	1,020,771
Business	328,496	0	0	4,429	0	332,925
Operations and Maintenance	7,624,973	345,695	0	97,531	2,394	8,070,593
Pupil Transportation	3,140,653	0	0	409,077	0	3,549,730
Central	720,231	0	0	0	29,086	749,317
Operation of Non-Instructional Services	30,000	0	0	0	4,954,194	4,984,194
Extracurricular Activities	735,924	0	0	133,428	336,122	1,205,474
Capital Outlay	12,273	0	0	450,579	12,615	475,467
Debt Service:						
Principal Retirement	0	0	3,660,000	0	0	3,660,000
Interest and Fiscal Charges	0	0	4,511,037	0	0	4,511,037
Total Cash Disbursements	80,210,736	526,994	8,256,273	1,909,474	13,623,699	104,527,176
Excess of Receipts Over (Under) Cash Disbursements	1,193,631	87,152	(734,698)	637,909	2,711,652	3,895,646
Other Financing Sources (Uses):						
Advances In	1,259,173	0	0	0	101,067	1,360,240
Advances (Out)	(101,067)	0	0	0	(1,259,173)	(1,360,240)
Total Other Financing Sources (Uses)	1,158,106	0	0	0	(1,158,106)	0
Net Change in Fund Cash Balance	2,351,737	87,152	(734,698)	637,909	1,553,546	3,895,646
Fund Cash Balance - Beginning of Year	9,265,271	3,396,554	4,632,847	3,553,708	3,820,090	24,668,470
Fund Cash Balance - End of Year	\$11,617,008	\$3,483,706	\$3,898,149	\$4,191,617	\$5,373,636	\$28,564,116

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Budgetary Basis Receipts:				
Property and Other Taxes	\$14,199,516	\$17,494,221	\$17,494,221	\$0
Tuition and Fees	1,258,322	1,550,290	1,550,290	0
Investment Earnings	34,274	42,227	42,227	0
Intergovernmental	50,089,849	61,712,166	61,712,166	0
Rent	36,394	44,839	44,839	0
Other Receipts	89,231	109,935	109,935	0
Total Budgetary Basis Receipts	65,707,586	80,953,678	80,953,678	0
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	37,270,252	44,563,558	44,563,558	0
Special	7,997,876	9,562,957	9,562,957	0
Vocational	968,679	1,158,237	1,158,237	0
Support Services:				
Pupil	4,476,066	5,351,974	5,351,974	0
Instructional Staff	1,649,892	1,972,755	1,972,755	0
General Administration	402,917	481,763	481,763	0
School Administration	3,024,522	3,616,382	3,616,382	0
Fiscal	749,261	895,882	895,882	0
Business	292,772	350,064	350,064	0
Operations and Maintenance	6,864,074	8,207,285	8,207,285	0
Pupil Transportation	2,795,343	3,342,355	3,342,355	0
Central	561,036	670,823	670,823	0
Operation of Non-Instructional Services	25,090	30,000	30,000	0
Extracurricular Activities	611,830	731,557	731,557	0
Capital Outlay	10,264	12,273	12,273	0
Total Budgetary Basis Disbursements	67,699,874	80,947,865	80,947,865	0
Excess of Budgetary Basis Receipts Over (Under)				
Budgetary Basis Disbursements	(1,992,288)	5,813	5,813	0
Other Financing Sources (Uses):				
Advances In	1,022,032	1,259,173	1,259,173	0
Advances (Out)	(84,526)	(101,067)	(101,067)	0
Transfers (Out)	(209,085)	(250,000)	(250,000)	0
Total Other Financing Sources (Uses)	728,421	908,106	908,106	0
Net Change in Fund Balance	(1,263,867)	913,919	913,919	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,980,274	8,980,274	8,980,274	0
Fund Balance End of Year	\$7,716,407	\$9,894,193	\$9,894,193	\$0

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Classroom Facilities Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Budgetary Basis Receipts:				
Property and Other Taxes	\$319,494	\$353,802	\$353,802	\$0
Investment Earnings	694	769	769	0
Intergovernmental	234,404	259,575	259,575	0
Total Budgetary Basis Receipts	554,592	614,146	614,146	0
Budgetary Basis Disbursements:				
Current:				
Instruction:				
Regular	559,478	241,784	241,784	0
Support Services:				
Fiscal	10,441	4,512	4,512	0
Operations and Maintenance	1,413,703	610,946	610,946	0
Total Budgetary Basis Disbursements	1,983,622	857,242	857,242	0
Net Change in Fund Balance	(1,429,030)	(243,096)	(243,096)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,396,553	3,396,553	3,396,553	0
Fund Balance End of Year	\$1,967,523	\$3,153,457	\$3,153,457	\$0

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$72,729</u>	<u>\$152,640</u>
Total Assets	<u>72,729</u>	<u>152,640</u>
Liabilities:		
Held on Behalf of Students	<u>0</u>	<u>152,640</u>
Total Liabilities	<u>0</u>	<u>\$152,640</u>
Net Cash Position:		
Held in Trust for Scholarships	<u>72,729</u>	
Total Net Cash Position	<u>\$72,729</u>	

See accompanying notes to the basic financial statements.

Hamilton City School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Donations	<u>\$6,547</u>
Total Additions	<u>6,547</u>
Deductions:	
Scholarships	<u>23,712</u>
Total Deductions	<u>23,712</u>
Change in Net Cash Position	(17,165)
Net Cash Position - Beginning of Year	<u>89,894</u>
Net Cash Position - End of Year	<u>\$72,729</u>

See accompanying notes to the basic financial statements.

Note 1 - Description Of The School District And Reporting Entity

The Hamilton City School District, Butler County, Ohio (the "School District"), is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is organized under article VI, sections 2 and 3 of the Constitution of the State of Ohio. The Hamilton City School District is governed by a locally elected, five member Board of Education (the Board), which provides educational services.

Reporting Entity:

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

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, and Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program. These organizations are presented in Note 14 to the basic financial statements.

Note 2 - Summary Of Significant Accounting Policies

As discussed further in the Basis of Accounting Section of Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School District's basic financial

statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, does not have any activities which are presented as business-type.

The Statement of Net Position presents the cash balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Classroom Facilities Maintenance Fund – A fund provided to account for the proceeds of a levy for the maintenance of facilities.

Debt Service Fund – A fund provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds include Private Purpose Trust Funds and Agency Funds. The School District's Private Purpose Trust Funds account for needs based programs for students and college scholarship programs for students. The School District's Agency Funds account for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except the Agency Funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements

plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources that were in effect at the time final appropriations were passed by the Board.

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

Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2014, the School District invested in Fifth Third Money Market accounts and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2014 were \$42,279 and \$1,824 was assigned to other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable

The non-spendable fund cash balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

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

Committed

The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund cash balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining

amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

Note 3 – Fund Cash Balances

Fund cash balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the next page:

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Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Cash Balances	General	Debt Service	Permanent Improvement	Classroom Facilities Maintenance	Other Governmental Funds	Total
Nonspendable:						
Unclaimed Funds	\$83,578	\$0	\$0	\$0	\$0	\$83,578
Total Nonspendable	83,578	0	0	0	0	83,578
Restricted for:						
Debt Service Fund	0	3,898,149	0	0	0	3,898,149
Permanent Improvement Cash Fund	0	0	142,541	0	0	142,541
Classroom Facilities Maintenance	0	0	0	3,483,706	0	3,483,706
Building Program Fund	0	0	0	0	1,965	1,965
Ohio School Facilities Fund	0	0	0	0	1,041,513	1,041,513
Food Service Fund	0	0	0	0	2,394,371	2,394,371
TV Hamilton Fund	0	0	0	0	132,185	132,185
Other Grants Fund	0	0	0	0	39,889	39,889
Student Activities Fund	0	0	0	0	111,497	111,497
Auxiliary Services Fund	0	0	0	0	286,645	286,645
Miscellaneous State Grants	0	0	0	0	1,052	1,052
Adult Basic Education Fund	0	0	0	0	69,617	69,617
Race to the Top Fund	0	0	0	0	53,422	53,422
Title VI-B Fund	0	0	0	0	187,108	187,108
Title III LEP Fund	0	0	0	0	27,665	27,665
Title I Fund	0	0	0	0	712,668	712,668
Early Childhood	0	0	0	0	51	51
Improving Teacher Quality Fund	0	0	0	0	2,340	2,340
Miscellaneous Federal Grant	0	0	0	0	88,784	88,784
Total Restricted	0	3,898,149	142,541	3,483,706	5,150,772	12,675,168
Committed to:						
Permanent Improvement Fund	0	0	4,049,076	0	0	4,049,076
Total Committed	0	0	4,049,076	0	0	4,049,076
Assigned to:						
Capital Projects Fund	0	0	0	0	222,864	222,864
Encumbrances	1,397,146	0	0	0	0	1,397,146
Public School	121,993	0	0	0	0	121,993
Total Assigned	1,519,139	0	0	0	222,864	1,742,003
Unassigned	10,014,291	0	0	0	0	10,014,291
Total Fund Cash Balance	\$11,617,008	\$3,898,149	\$4,191,617	\$3,483,706	\$5,373,636	\$28,564,116

Note 4 - Budgetary Basis Of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and Classroom Facilities Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General and Classroom Facilities Maintenance Funds.

	General	Classroom Facilities Maintenance
GAAP Basis	\$2,351,737	\$87,152
Revenue Accruals	(450,689)	0
Expenditures Accruals	660,017	0
Transfers Out	(250,000)	0
Encumbrances	(1,340,120)	(330,248)
Funds Budgeted Elsewhere	(57,026)	0
Budget Basis	<u>\$913,919</u>	<u>(\$243,096)</u>

Note 5 - Deposits And Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

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 (STAR Ohio); 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.

Deposits

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

As of June 30, 2014, the District's bank balance of \$17,614,139 (of this total, \$15,003,480 is held with StarPlus) is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

As of June 30, 2014 the School District had investments in STAR Ohio in the amount of \$11,424,717. The average maturity of STAR Ohio is 51 days. The Fifth Third Money Market Accounts are used as short term investments that are at or near the STAR Ohio rate of return.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$18,020	0.00
STAR Ohio	11,424,717	0.14
Total Fair Value	<u>\$11,442,737</u>	
Portfolio Weighted Average Maturity		0.14

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk:

STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy mirrors Ohio Law except that it requires that the investment have the highest rating available from two rating agencies at the time of purchase.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

Tax Value Type	2013 2nd Half Value	Percent of Tax Base	Eff. Tax Rate	2014 1st Half Value	Percent of Tax Base	Eff. Tax Rate
Real Estate-Res/Agr	\$622,025,340	76.34%	35.34	\$620,074,890	76.99%	35.62
Real Estate-Com/Ind	188,911,930	23.19%	41.93	181,553,900	22.54%	42.97
Public Utility-RE	304,200	.04%	41.93	311,610	.04%	42.97
Public Utility-Personal	<u>3,505,490</u>	<u>.43%</u>	53.42	<u>3,486,830</u>	<u>.43%</u>	53.61
Total	<u>\$814,746,960</u>	<u>100.00%</u>		<u>\$805,427,230</u>	<u>100.00%</u>	

Note 7 - Interfund Activity

At June 30, 2014, the General Fund had an unpaid interfund cash advance, in the amount of \$1,259,173, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$101,067, for short-term loans made during fiscal year 2013.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District was a member of the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program.

During fiscal year 2014, the School District, along with other school districts and educational service centers in Ohio, participated in the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program (Insurance Program), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Insurance Program (See Note 14). The School District contracts their liability insurance through the Insurance Program.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2013.

Note 9 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012

were \$1,476,885, \$1,587,219, and \$1,620,479, respectively; 100 percent has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$5,675,977, \$5,733,820, and \$5,894,601, respectively; 100 percent has been contributed for all three fiscal years.

Note 10 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$14,769, \$18,140, and \$63,662, respectively, which equaled the required contributions for each year.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$80,174, \$83,896, and \$86,811, respectively, which equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing, multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For

2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$405,427, \$409,558, and \$421,043, respectively; 100 percent has been contributed for all three fiscal years.

Note 11 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Certain employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. All unused vacation, up to a balance not greater than three years accrual, may be carried forward to the succeeding fiscal year. Sick leave may be accumulated up to a maximum of 295-300 days for classified employees and 300 days for certified employees. Upon retirement, payment is made for one-fourth of accrued sick leave for the first 150 days accrued sick leave and one-half of the next 135 days of accrued sick leave paid at their daily rate upon retirement for classified and certified employees.

Life Insurance

Life Insurance is provided by the School District to most employees through Symetra Life.

Dental Care

Dental Insurance is provided by the School District to most employees through Butler Health Plan.

Vision Care

Vision Insurance is provided by the School District to most employees through a self insured plan that is administered by Allied Benefits.

Deferred Compensation Plan

School District employees may elect to participate in the Ohio Public Employees Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Note 12 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Governmental Activities:					
General Obligation Bonds:					
1999 School Improvement	\$7,100,000	\$0	(\$1,735,000)	\$5,365,000	\$1,730,000
2005 Refunding Bonds	21,505,000	0	(245,000)	21,260,000	250,000
2007 School Improvement	63,770,000	0	(1,680,000)	62,090,000	1,745,000
Total	<u>\$92,375,000</u>	<u>\$0</u>	<u>(\$3,660,000)</u>	<u>\$88,715,000</u>	<u>\$3,725,000</u>

School Improvement Bonds

In May 1999 the School District issued \$45,000,000 General Obligation bonds for the purpose of constructing, remodeling and equipping school facilities. The bonds were issue for a period of 25 years with final maturity in December 2016.

In March 2005, the School District issued a \$23,215,000 General Obligation bond for the purpose of refunding \$3,500,000 of May 1999 School Improvement Serial Bonds and \$19,715,000 of May 1999 School Improvement Term Bonds. The bonds were issued for a twenty-year period, with final maturity in December 2024.

In March 2007, the School District issued \$72,000,000 in General Obligation bonds that were approved by the electorate of the Hamilton City School District in November 2006. This bonded debt will fulfill the School District's local share in completing the master facilities plan.

All of the above bonds are being paid from the Debt Service Fund.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$3,725,000	\$4,317,363	\$8,042,363
2016	3,925,000	4,108,891	8,033,891
2017	4,135,000	3,889,815	8,024,815
2018	2,290,000	5,881,888	8,171,888
2019	4,595,000	3,561,513	8,156,513
2020-2024	26,620,000	14,028,940	40,648,940
2025-2029	19,010,000	7,948,940	26,958,940
2030-2034	19,850,000	3,656,050	23,506,050
2035	4,565,000	114,125	4,679,125
Total	<u>\$88,715,000</u>	<u>\$47,507,525</u>	<u>\$136,222,525</u>

Note 13 – Capital Leases - Lessee Disclosure

On November 16, 2010, the School District entered into a lease-purchase agreement with Canon Business Solutions for the lease of copiers. The period of the lease is December 1, 2010 through December 1, 2015.

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2014.

Fiscal Year	Total
Ending June 30,	Payments
2015	\$126,804
2016	63,402
Total minimum lease payments	<u>\$190,206</u>

Note 14 - Jointly Governed Organizations/Insurance Purchasing Pools

Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$369,266 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to the SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$4,262 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program

The School District participates in the Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program (Insurance Program), a self funded insurance purchasing pool. The

Insurance Program was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Insurance Program is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Insurance Program to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The Insurance Program’s business and affairs are conducted by a 6 member Board of Directors consisting of school district superintendents, business managers and treasurers. The Insurance Plan has an agreement with Arthur J. Gallagher Risk Management Services, Inc. to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the Insurance Program. Arthur J. Gallagher Risk Management Services, Inc. also coordinates reinsurance brokerage services for the Insurance Program.

Butler Health Plan

For fiscal year 2014, the School District participated in the Butler Health Plan, a shared risk pool consisting of 10 area school districts, 2 Career Development School Districts, one Board of Developmental Disabilities and an Educational Service Center. The School District pays monthly premiums to Butler Health Plan for employee medical and dental benefits. Butler Health is responsible for the management and operations of the program. Upon withdrawal from the Butler Health Plan, a participant is responsible for all claims that exceed the expected claims for that district for a defined period of time.

Note 15 - Set-Aside Calculations

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

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

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirement	1,627,453
Qualifying Disbursements	<u>(2,156,628)</u>
Totals	<u>(\$529,175)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2014	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced capital improvements amounts below zero. The extra amount for capital improvements may not be used to reduce the set-aside requirements in future fiscal years.

Note 16 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

Litigation

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

Note 17 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Hamilton City School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	1,528,039	-	1,528,039	-
National School Lunch Program	3L60	10.555	2,743,857	277,921	2,462,590	277,921
Summer Food Service Program for Children	3L60	10.559	30,860	-	30,860	-
Total Child Nutrition Cluster			4,302,756	277,921	4,021,489	277,921
Total United States Department of Agriculture			4,302,756	277,921	4,021,489	277,921
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	2,217,550	-	2,134,588	-
Special Education - Preschool Grants	3C50	84.173	85,145	-	87,498	-
Total Special Education Cluster			2,302,695	-	2,222,086	-
Adult Education - Basic Grants to States	N/A	84.002	327,735	-	236,933	-
Title I Grants to Local Educational Agencies	3M00	84.010	5,247,425	-	3,815,484	-
Career and Technical Education - Basic Grants to States	3L90	84.048	192,976	-	199,297	-
Education for Homeless Children and Youth	3EJ0	84.196	36,589	-	37,259	-
English Language Acquisition State Grants	3Y70	84.365	157,066	-	98,688	-
Improving Teacher Quality State Grants	3Y60	84.367	518,161	-	524,606	-
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	459,182	-	404,162	-
<i>Direct Grants from the United States Department of Education</i>						
Fund for the Improvement of Education	N/A	84.215	244,820	-	254,669	-
Total United States Department of Education			9,486,649	-	7,793,184	-
Total Federal Financial Assistance			13,789,405	277,921	11,814,673	277,921

NA - Pass Through Entity Number is Not Available
See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

Hamilton City School District
Butler County

**Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditure) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Hamilton City School District
533 Dayton Street
Hamilton, Ohio 45011

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2014 wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 19, 2014



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

Members of the Board of Education
Hamilton City School District
533 Dayton Street
Hamilton, Ohio 45011

Report on Compliance for Each Major Federal Program

We have audited the Hamilton City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Hamilton City School District's major federal programs for the year ended June 30, 2014. The *Summary of Audit 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Hamilton City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 19, 2014

**Hamilton City School District
Butler County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I - CFDA# 84.010 <u>Special Education Cluster:</u> Special Education, Grants to States - CFDA# 84.027 Special Education, Preschool Grants - CFDA#84.173 State Fiscal Stabilization Funds, Race to the Top, ARRA- CFDA#84.395 Improving Teacher Quality State Grants- CFDA#84.367 <u>Child Nutrition Cluster:</u> School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Summer Food Service Program for Children – CFDA #10.559
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$362,778 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Hamilton City School District
Butler County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014**

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

FINDING NUMBER 2014-001

Material Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response: The District reluctantly eliminated the GAAP statements as part of our multi-million dollar budget reduction in FY11.

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

**Hamilton City School District
Butler County, Ohio**

**Schedule of Prior Audit Findings and Questioned Costs
June 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected. Reissued as finding 2014-001
2013-002	Significant Deficiency- Financial reporting for adjustments	Yes	
2013-003	Noncompliance/Questioned Cost/ Significant Deficiency- Allowable Costs- Title I, Part A, IDEA-B Cluster, Improving Teacher Quality. – Improper use of Title I, IDEA-B and Improving Teacher Quality funds for severance payouts	Yes	

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Dave Yost • Auditor of State

HAMILTON CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2015**