



**HAMILTON LOCAL SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2016**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hamilton Local School District, Franklin County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 15, 2017

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**HAMILTON LOCAL SCHOOL DISTRICT**

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (District), Franklin County as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hamilton Local School District, Franklin County, Ohio as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 5-13 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

*Supplementary and Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*J. L. Uhrig and Associates, Inc.*

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

January 18, 2017

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

As management of the Hamilton Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20.4 million (net position).
- The District's total net position increased by \$993,386 during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$12.3 million, a \$1.7 million increase in comparison with the prior fiscal year. Of this total amount, \$10.0 million is available for spending at the District's discretion (unassigned fund balance).

**Overview of the Financial Statements**

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

**Government-wide financial statements**

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

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

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

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

**Fund Financial Statements**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

*Governmental Funds*

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

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

The District maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, and debt service fund, each of which are considered major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation.

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

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

**Notes to the basic financial statements**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Government-wide Financial Analysis**

*Governmental Activities*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.4 million at the close of the most recent fiscal year.

<b>Net Position</b>		
<b>Governmental Activities</b>		
	2016	2015
Current and Other Assets	\$ 23,772,892	\$ 22,245,769
Capital Assets	63,962,807	65,549,923
Total Assets	87,735,699	87,795,692
Deferred Amount on Refunding	110,327	288,536
Pension	5,234,815	2,631,891
Total Deferred Outflows of Resources	5,345,142	2,920,427
Current Liabilities	2,756,017	2,506,498
Long-Term Liabilities:		
Due Within One Year	1,334,015	1,592,260
Due Later One Year:		
Net Pension Liability	40,949,666	34,618,559
Other Amounts Due Later One Year	21,280,956	22,405,973
Total Liabilities	66,320,654	61,123,290
Property Taxes	3,809,662	3,850,080
Pension	2,494,531	6,280,141
Total Deferred Inflows of Resources	6,304,193	10,130,221
Net Investment in Capital Assets	43,559,102	44,648,864
Restricted	4,183,431	4,164,418
Unrestricted	(27,286,539)	(29,350,674)
Total Net Position	\$ 20,455,994	\$ 19,462,608

Deferred Outflows of Resources related to pensions increased significantly in comparison with the prior fiscal year-end. This increase is the result of the difference between expected and actual experience. Deferred outflows also increased due to the unamortized amount on refunding which is a result of refunding debt during the current fiscal year.

Net Pension Liability increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of poor pension investment returns, as reported by the pension systems.

Deferred Inflows of Resources related to pensions decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of the difference between projected and actual investment earnings, as reported by the pension systems.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

A significant portion of the District's net position (\$43.6 million) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$4.2 million) represents resources that are subject to external restrictions on how they may be used.

Total net position of the District increased \$993,386. Key elements of the District's net position increase are as follows:

<b>Changes in Net Position Governmental Activities</b>		
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$ 744,245	\$ 699,689
Operating Grants	3,413,365	4,637,686
Total Program Revenues	4,157,610	5,337,375
General Revenues		
Property Taxes	6,561,166	5,805,400
Payment in Lieu of Taxes	297,273	244,454
Grants and Entitlements	22,171,751	21,455,113
Investment Earnings	195,257	192,925
Other Revenue	388,847	179,017
Total General Revenue	29,614,294	27,876,909
Total Revenues	33,771,904	33,214,284
Expenses:		
Program Expenses		
Instruction	18,481,814	18,266,016
Support Services	10,914,590	11,155,571
Non-Instructional	1,488,340	1,538,497
Extra Curricular Activities	1,060,484	952,580
Interest and Fiscal Charges	833,290	1,191,109
Total Expenses	32,778,518	33,103,773
Changes in Net Position	993,386	110,511
Net Position at Beginning of Year	19,462,608	19,352,097
Net Position at End of Year	\$ 20,455,994	\$ 19,462,608

Operating Grants decreased significantly in comparison with the prior fiscal year. This decrease is the result of Straight A Grant funding received in 2015. Unrestricted Grants and Entitlements also increased significantly as a result of the Ohio Department of Education's new funding formula.

Property Taxes increased significantly. This increase is the result of a fluctuation in amounts received by the County but not yet advanced to the District at June 30, 2014, 2015, and 2016.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

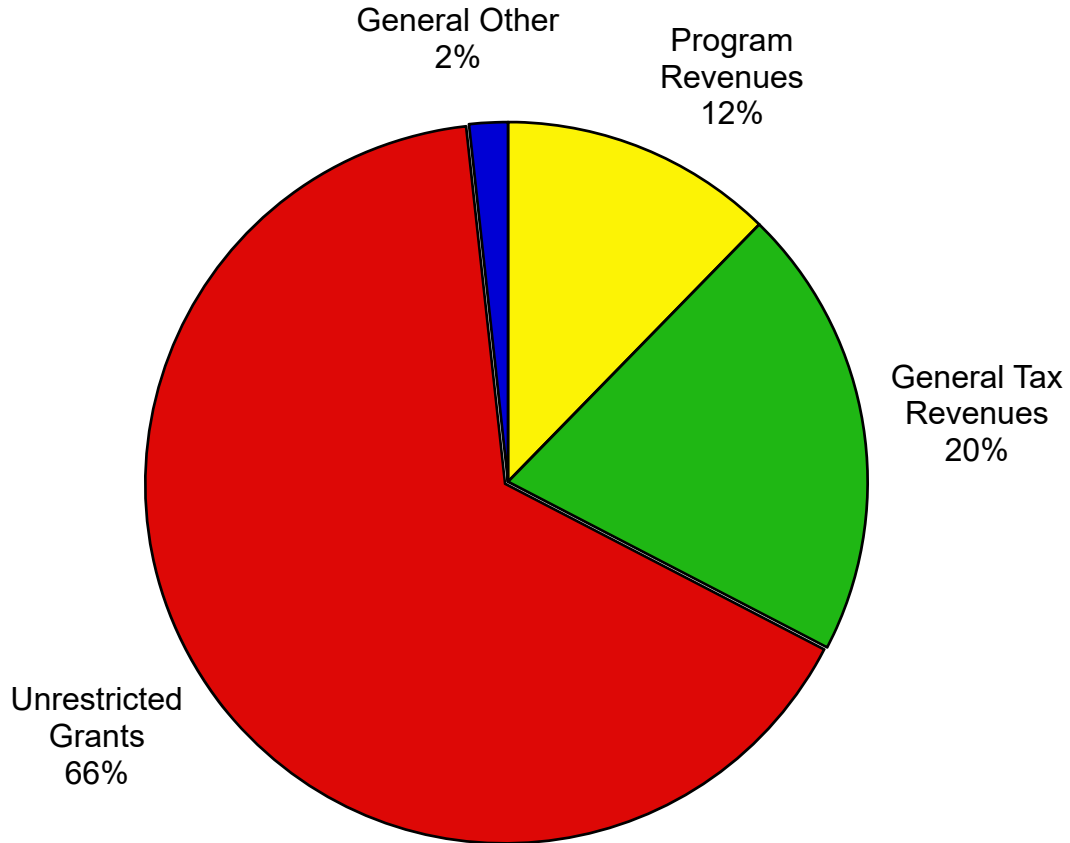
**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

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

Program Expenses	<u>Total Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2016</u>	<u>Net Cost of Services 2015</u>
Instruction:				
Regular	\$ 13,848,181	\$ 13,652,764	\$ 13,812,487	\$ 13,612,148
Special	2,972,409	2,763,327	1,753,525	1,719,888
Vocational	146,710	189,229	91,872	139,381
Other	1,514,514	1,660,696	1,510,215	1,655,285
Support Services:				
Pupil	1,594,180	2,469,358	1,209,576	659,662
Instructional Staff	931,712	529,621	753,101	391,741
Board of Education	42,397	16,360	42,397	16,360
Administration	2,332,812	2,534,108	2,134,433	2,372,230
Fiscal Services	1,537,646	1,680,626	1,481,460	1,627,304
Business Operations	8,319	-	8,319	-
Maintenance	3,353,745	2,917,672	3,172,058	2,753,592
Pupil Transportation	1,005,179	942,813	996,072	933,741
Central	108,600	65,013	108,600	65,013
Noninstructional Activities	1,488,340	1,538,497	33,722	6,868
Extracurricular Activities	1,060,484	952,580	679,781	622,076
Interest and Fiscal Charges	833,290	1,191,109	833,290	1,191,109
<b>Total Expense</b>	<u><u>\$ 32,778,518</u></u>	<u><u>\$ 33,103,773</u></u>	<u><u>\$ 28,620,908</u></u>	<u><u>\$ 27,766,398</u></u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 21 percent of total revenues from tax revenues and 66 percent from unrestricted grants. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$28.6 million of support, as well as the graph above, indicating general revenues comprise 88 percent of total revenues.



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

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

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

*Governmental Funds*

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$16.4 million, an increase of \$1.7 million in comparison with the prior year. Approximately \$9.9 million of this amount is available for new spending at the District's discretion (unassigned fund balance). The remainder of fund balance is not available for new spending because it is restricted (\$4.1 million), or assigned (\$2.3 million).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)
General Fund	\$ 12,331,365	\$ 10,626,417	\$ 1,704,948
Debt Service Fund	2,021,592	2,045,933	(24,341)
Other Governmental Funds	2,017,527	2,038,239	(20,712)
Total	<u>\$ 16,370,484</u>	<u>\$ 14,710,589</u>	<u>\$ 1,659,895</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.0 million, while total fund balance was \$12.3 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 38.3% of total general fund expenditures and total fund balance represents 47.3% of that same amount.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The fund balance of the District's General Fund increased \$1.7 million during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**General Fund Comparative Analysis**

	<b>2016 Amount</b>	<b>2015 Amount</b>	<b>Percentage Change</b>
<b>Revenues</b>			
Property Taxes	\$ 4,843,089	\$ 4,477,835	8.2%
Payment in Lieu of Taxes	241,870	244,454	-1.1%
Intergovernmental	21,955,308	21,007,079	4.5%
Interest	193,685	192,925	0.4%
Tuition and Fees	48,842	55,879	-12.6%
Extracurricular	118,246	109,025	8.5%
Other	426,353	210,190	102.8%
Total	<u>27,827,393</u>	<u>26,297,387</u>	
<b>Expenditures</b>			
Instruction	15,928,917	15,956,000	-0.2%
Support Services	9,467,163	8,769,199	8.0%
Extracurricular Activities	660,313	697,307	-5.3%
Total	<u>26,056,393</u>	<u>25,422,506</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,771,000</u>	<u>874,881</u>	
<b>Other Financing Sources (Uses)</b>			
Transfers Out	<u>(66,052)</u>	<u>(75,128)</u>	-12.1%
Total	<u>(66,052)</u>	<u>(75,128)</u>	
Net Change in Fund Balance	1,704,948	799,753	
Beginning Fund Balance	10,626,417	9,826,664	
Ending Fund Balance	<u>\$ 12,331,365</u>	<u>\$ 10,626,417</u>	

Intergovernmental Revenue increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in State Foundation Funding as a result of the Ohio Department of Education's new funding formula.

Property Taxes increased significantly. This increase is the result of a fluctuation in amounts received by the County but not yet advanced to the District at June 30, 2014, 2015, and 2016.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

**General Fund Budget Information**

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

There was no variance between the original and final estimated revenues. Actual revenues exceeded the District's final estimate primarily as a result of additional funds received in accordance with the Ohio Department of Education's new funding formula.

There was no variance between the original and final appropriations. Actual expenditures and other financing uses were \$2.5 million less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

**Capital Assets**

At fiscal year-end, the District's capital assets totaled \$64.0 million (net of accumulated depreciation), a decrease of \$1.6 million in comparison with the prior fiscal year. This decrease represents the amount in which depreciation (\$2.0 million) and disposals (\$125,089) exceeded additions (\$516,740) during the fiscal year. Detailed information regarding capital asset activity is included in Note 7 to the basic financial statements.

**Debt**

At fiscal year-end, the District had \$21.8 million in outstanding bonds payable, a decrease of \$1.1 million in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal payments (\$1.3 million), refundings (\$9.7 million) and premium amortization (\$215,630) exceeded current year issuances (\$9.9 million) and accretion on capital appreciation bonds (\$226,918). Detailed information regarding long-term debt is included in Note 11 to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At fiscal year-end, the District's general obligation debt exceeded the voted debt limit, however, the District was determined a special needs district. Detailed information regarding special needs status is included in Note 11 to the basic financial statements

**Contacting the District's Financial Management**

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

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Hamilton Alternative Academy</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 15,438,598	\$ 11,806
Receivables:		
Property Taxes	7,626,419	-
Accounts	226,828	-
Intergovernmental	395,089	-
Payment in Lieu of Tax	55,403	-
Prepaid Items	20,397	-
Inventory Held for Resale	10,158	-
Nondepreciable Capital Assets	1,247,490	-
Depreciable Capital Assets, Net	62,715,317	6,367
<b>Total Assets</b>	<u>87,735,699</u>	<u>18,173</u>
<b>Deferred Outflows of Resources</b>		
Deferred Amount on Refunding Pension	110,327	-
	5,234,815	-
<b>Total Deferred Outflows of Resources</b>	<u>5,345,142</u>	<u>-</u>
<b>Liabilities</b>		
Accounts Payable	79,277	-
Accrued Wages and Benefits	2,078,459	-
Intergovernmental Payable	550,385	-
Accrued Interest Payable	47,896	-
Long Term Liabilities:		
Due Within One Year	1,334,015	-
Due Later Than One Year:		
Net Pension Liability	40,949,666	-
Other Amounts Due Later Than One Year	21,280,956	-
<b>Total Liabilities</b>	<u>66,320,654</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	3,809,662	-
Pension	2,494,531	-
<b>Total Deferred Inflows of Resources</b>	<u>6,304,193</u>	<u>-</u>
<b>Net Position</b>		
Net Investment in Capital Assets	43,559,102	6,367
Restricted for:		
Debt Service	2,056,690	-
Capital Projects	856,540	-
Food Services	1,213,033	-
Extracurricular Activities	4,295	-
Other Purposes	52,873	-
Unrestricted	(27,286,539)	11,806
<b>Total Net Position</b>	<u>\$ 20,455,994</u>	<u>\$ 18,173</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	Component
				Governmental Activities	Unit Hamilton Alternative Academy
<b>Governmental Activities</b>					
Instruction					
Regular Instruction	\$ 13,848,181	\$ 35,694	\$ -	\$ (13,812,487)	\$ -
Special Instruction	2,972,409	8,486	1,210,398	(1,753,525)	-
Vocational Instruction	146,710	363	54,475	(91,872)	-
Other Instruction	1,514,514	4,299	-	(1,510,215)	-
Support Services					
Pupils	1,594,180	-	384,604	(1,209,576)	-
Instructional Staff	931,712	-	178,611	(753,101)	-
Board of Education	42,397	-	-	(42,397)	-
Administration	2,332,812	-	198,379	(2,134,433)	-
Fiscal Services	1,537,646	-	56,186	(1,481,460)	-
Business Operations	8,319	-	-	(8,319)	-
Maintenance	3,353,745	-	181,687	(3,172,058)	-
Pupil Transportation	1,005,179	-	9,107	(996,072)	-
Central	108,600	-	-	(108,600)	-
Non-instructional Services	1,488,340	322,300	1,132,318	(33,722)	-
Extracurricular Activities	1,060,484	373,103	7,600	(679,781)	-
Interest and Fiscal Charges	833,290	-	-	(833,290)	-
<b>Total Governmental Activities</b>	<b>\$ 32,778,518</b>	<b>\$ 744,245</b>	<b>\$ 3,413,365</b>	<b>\$ (28,620,908)</b>	<b>\$ -</b>
<b>Component Unit</b>					
Hamilton Local Digital Academy	\$ 126,715	\$ -	\$ 23,534	\$ -	\$ (103,181)
<b>Total Component Unit</b>	<b>\$ 126,715</b>	<b>\$ -</b>	<b>\$ 23,534</b>	<b>\$ -</b>	<b>\$ (103,181)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes				\$ 4,735,838	\$ -
Debt Service				1,500,138	-
Capital Projects				325,190	-
Payments in Lieu of Taxes				297,273	-
Grants and Entitlements not Restricted				22,171,751	81,049
Investment Earnings				195,257	-
Miscellaneous				388,847	12,279
<b>Total General Revenues</b>				<b>29,614,294</b>	<b>93,328</b>
<b>Change in Net Position</b>				<b>993,386</b>	<b>(9,853)</b>
<b>Net Position Beginning of Year</b>				<b>19,462,608</b>	<b>28,026</b>
<b>Net Position End of Year</b>				<b>\$ 20,455,994</b>	<b>\$ 18,173</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2016**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 12,114,355	\$ 1,314,517	\$ 2,009,726	\$ 15,438,598
Receivables:				
Property Taxes	5,465,916	1,777,917	382,586	7,626,419
Accounts	226,828	-	-	226,828
Intergovernmental	-	-	395,089	395,089
Payment in Lieu of Tax	55,403	-	-	55,403
Prepaid Items	20,397	-	-	20,397
Inventory Held for Resale	-	-	10,158	10,158
Due From Other Funds	328,344	-	-	328,344
Total Assets	<u>\$ 18,211,243</u>	<u>\$ 3,092,434</u>	<u>\$ 2,797,559</u>	<u>\$ 24,101,236</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 69,441	\$ -	\$ 9,836	\$ 79,277
Accrued Wages and Benefits	1,884,388	-	194,071	2,078,459
Intergovernmental Payable	533,036	-	17,349	550,385
Due to Other Funds	-	-	328,344	328,344
Compensated Absences Payable	45,482	-	-	45,482
Total Liabilities	<u>2,532,347</u>	<u>-</u>	<u>549,600</u>	<u>3,081,947</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	617,780	182,275	39,088	839,143
Property Taxes	2,729,751	888,567	191,344	3,809,662
Total Deferred Inflows of Resources	<u>3,347,531</u>	<u>1,070,842</u>	<u>230,432</u>	<u>4,648,805</u>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Items	20,397	-	-	20,397
Restricted for:				
Capital Projects	-	-	817,452	817,452
Debt Service	-	2,021,592	-	2,021,592
Food Services	-	-	1,213,033	1,213,033
Extracurricular Activities	-	-	4,295	4,295
Other Purposes	-	-	52,873	52,873
Assigned:				
Public School Support	115,458	-	-	115,458
Instruction	19,832	-	-	19,832
Support Services	54,893	-	-	54,893
Future Appropriations	2,141,288	-	-	2,141,288
Unassigned	9,979,497	-	(70,126)	9,909,371
Total Fund Balances	<u>12,331,365</u>	<u>2,021,592</u>	<u>2,017,527</u>	<u>16,370,484</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,211,243</u>	<u>\$ 3,092,434</u>	<u>\$ 2,797,559</u>	<u>\$ 24,101,236</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

**Total Governmental Fund Balances** \$ 16,370,484

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 63,962,807

Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are unavailable revenue in the funds. These receivables consist of:

Delinquent Property Taxes Receivable	783,740
Payment in Lieu of Taxes	55,403

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

Deferred Outflows - Pension	5,234,815
Deferred Inflows - Pension	(2,494,531)
Net Pension Liability	(40,949,666)

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(18,534,031)
Accumulated Accretion	(1,295,679)
Unamortized Bond Premiums	(1,988,464)
Unamortized Deferred Charge on Refunding	110,327
Capital Lease Payable	(90,818)
Accrued Interest Payable	(47,896)
Compensated Absences Payable	(660,497)
	<u>(22,507,058)</u>

**Net Position of Governmental Activities** \$ 20,455,994



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 4,843,089	\$ 1,543,895	\$ 333,397	\$ 6,720,381
Payments in Lieu of Taxes	241,870	-	-	241,870
Intergovernmental	21,955,308	208,406	3,354,135	25,517,849
Charges for Services	-	-	322,300	322,300
Interest	193,685	-	1,572	195,257
Tuition and Fees	48,842	-	-	48,842
Extracurricular Activities	118,246	-	254,857	373,103
Donations	-	-	7,600	7,600
Other	426,353	-	22,161	448,514
Total Revenues	<u>27,827,393</u>	<u>1,752,301</u>	<u>4,296,022</u>	<u>33,875,716</u>
<b>Expenditures:</b>				
Regular Instruction	12,459,302	-	115,876	12,575,178
Special Instruction	1,827,190	-	1,170,123	2,997,313
Vocational Instruction	127,911	-	-	127,911
Other Instruction	1,514,514	-	-	1,514,514
Pupils	1,007,680	-	491,299	1,498,979
Instructional Staff	639,036	-	169,223	808,259
Board of Education	45,744	-	-	45,744
Administration	2,248,037	-	155,086	2,403,123
Fiscal Services	1,461,533	21,076	68,298	1,550,907
Business Operations	8,319	-	-	8,319
Operation and Maintenance of Plant	3,012,355	-	392,810	3,405,165
Pupil Transportation	936,411	-	9,107	945,518
Central	108,048	-	-	108,048
Non-instructional Services	-	-	1,427,035	1,427,035
Extracurricular Activities	660,313	-	248,680	908,993
Debt service:				
Principal Retirement	-	1,300,000	128,937	1,428,937
Interest and Fiscal Charges	-	460,979	6,312	467,291
Bond Issuance Costs	-	137,706	-	137,706
Total Expenditures	<u>26,056,393</u>	<u>1,919,761</u>	<u>4,382,786</u>	<u>32,358,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,771,000	(167,460)	(86,764)	1,516,776
<b>Other Financing Sources (Uses):</b>				
Refunding Bonds Issued	-	8,800,000	-	8,800,000
Premium on Refunding Bonds	-	1,090,195	-	1,090,195
Payment to Refunded Bonds Escrow Agent	-	(9,747,076)	-	(9,747,076)
Transfers In	-	-	66,052	66,052
Transfers Out	(66,052)	-	-	(66,052)
Total Other Financing Sources (Uses)	<u>(66,052)</u>	<u>143,119</u>	<u>66,052</u>	<u>143,119</u>
Net Change in Fund Balances	1,704,948	(24,341)	(20,712)	1,659,895
Fund Balance Beginning of Year	10,626,417	2,045,933	2,038,239	14,710,589
Fund Balance End of Year	<u>\$ 12,331,365</u>	<u>\$ 2,021,592</u>	<u>\$ 2,017,527</u>	<u>\$ 16,370,484</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,659,895

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense.

Depreciation Expense	(1,978,767)
Capital Outlay	516,740

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations).	(125,089)
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Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds.

Property Taxes	(159,215)
Payment in Lieu of Taxes	55,403

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,409,073
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(2,351,646)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net position. Also, governmental funds  
report the effect of premiums, discounts, and similar items when debt is first  
issued, whereas these amounts are deferred and amortized in the statement  
of activities.

Principal Repayments	1,300,000
Refunding Bonds Issued	(8,800,000)
Refunding Bonds Premium	(1,090,195)
Refunded Bonds	9,747,076
Amortization of Deferred Charge on Refunding	(225,357)
Amortization of Bond Premiums	215,630
Accretion of Capital Appreciation Bonds	(226,918)
Capital Lease Principal Repayments	128,937

Some expenses reported in the statement of activities, such as compensated  
absences payable and other accounts payable, do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Increase in Compensated Absences	(90,533)
Decrease in Accrued Interest Payable	8,352

**Change in Net Position of Governmental Activities** \$ 993,386

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Property Taxes	\$ 4,393,225	\$ 4,393,225	\$ 4,865,773	\$ 472,548
Payments in Lieu of Taxes	244,454	244,454	241,870	(2,584)
Intergovernmental	21,007,080	21,007,080	21,938,142	931,062
Interest	215,546	215,546	29,265	(186,281)
Tuition and Fees	55,879	55,879	48,842	(7,037)
Extracurricular Activities	109,025	109,025	118,246	9,221
Other	176,643	176,643	166,519	(10,124)
<b>Total Revenues</b>	<b>26,201,852</b>	<b>26,201,852</b>	<b>27,408,657</b>	<b>1,206,805</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	13,595,283	13,595,283	12,442,118	1,153,165
Special	2,007,897	2,007,897	1,811,036	196,861
Vocational	198,651	198,651	126,391	72,260
Other	1,610,892	1,610,892	1,564,514	46,378
Support Services:				
Pupils	856,288	856,288	890,585	(34,297)
Instructional Staff	443,004	443,004	635,994	(192,990)
Board of Education	37,951	37,951	45,990	(8,039)
Administration	2,161,584	2,161,584	2,363,556	(201,972)
Fiscal Services	3,594,262	3,594,262	1,481,881	2,112,381
Business Operations	478	478	8,319	(7,841)
Operation and Maintenance of Plant	2,772,586	2,772,586	3,152,131	(379,545)
Pupil Transportation	1,045,825	1,045,825	953,721	92,104
Central	127,670	127,670	110,074	17,596
Extracurricular Activities	691,601	691,601	685,711	5,890
<b>Total Expenditures</b>	<b>29,143,972</b>	<b>29,143,972</b>	<b>26,272,021</b>	<b>2,871,951</b>
Excess of Revenues Over (Under) Expenditures	(2,942,120)	(2,942,120)	1,136,636	4,078,756
<b>Other Financing Sources (Uses):</b>				
Transfers Out	-	-	(66,052)	(66,052)
Advances In	-	-	561,123	561,123
Advances Out	(45,000)	(45,000)	(313,509)	(268,509)
<b>Total Other Financing Sources (Uses)</b>	<b>(45,000)</b>	<b>(45,000)</b>	<b>181,562</b>	<b>226,562</b>
Net Change in Fund Balance	(2,987,120)	(2,987,120)	1,318,198	4,305,318
Fund Balance at Beginning of Year	10,246,284	10,246,284	10,246,284	-
Prior Year Encumbrances Appropriated	203,972	203,972	203,972	-
<b>Fund Balance at End of Year</b>	<b>\$ 7,463,136</b>	<b>\$ 7,463,136</b>	<b>\$ 11,768,454</b>	<b>\$ 4,305,318</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2016

	Agency Funds
<b>Assets</b>	
Cash and Cash Equivalents	\$ 100,501
Total Assets	<u>\$ 100,501</u>
<b>Liabilities</b>	
Due to Students	\$ 100,501
Total Liabilities	<u>\$ 100,501</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Average daily membership (ADM) as of June 30, 2016, was 3,263. The District employed 193 certified employees and 86 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

Hamilton Alternative Academy – Hamilton Alternative Academy (Academy) is a legally separate not-for-profit organization. The Academy provides comprehensive educational programs of high quality, tied to state and national standards. It is operated in cooperation with the District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home-schooled students. The Academy is reflected as a component unit of the District. The Academy operates on a fiscal year ending June 30.

Separately issued financial statements can be obtained from Hamilton Alternative Academy, 1055 Rathmell Road, Columbus, Ohio 43207.

The District is involved with the Metropolitan Educational Technology Association (META), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 15.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

**A. Fund Accounting**

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

*Governmental Fund Types:*

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

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

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

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

*Proprietary Fund Types:*

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

*Fiduciary Fund Types:*

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**B. Basis of Presentation**

*Government-wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

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

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

**C. Basis of Accounting**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*Revenues, Exchange and Non-exchange Transactions*

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

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

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred amount on refundings and for pension. The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 8).



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*Expenditures/Expenses*

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

During fiscal year 2016, the District's investments were limited to investments in Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), commercial paper, negotiable certificates of deposit (negotiable CD's), and U.S. Treasury Money Market Fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

**F. Inventory**

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

**G. Capital Assets and Depreciation**

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

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

Interest is expensed as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure.

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

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

**H. Intergovernmental Revenues**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**I. Interfund Activity**

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

**J. Compensated Absences**

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

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

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

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

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

**L. Pensions**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**M. Fund Balance**

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

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

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

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

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

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

**N. Encumbrances**

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

**O. Estimates**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

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

Fund	Fund Balance
Pre-School Education	\$ (9,206)
IDEA, Part B	(26,023)
Title I	(30,288)
Improving Teacher Quality	(4,609)

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

**NOTE 4 – BUDGET TO GAAP RECONCILIATION**

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

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

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ 1,704,948
Public School Support Change	10,254
Retirement Funds Change	8,486
Other Local Funds Change	470
Revenue Accruals	(381,230)
Expenditure Accruals	(129,192)
Interfund Activity	247,614
Encumbrances	(143,152)
Budget Basis	<u>\$ 1,318,198</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety bonds deposited with the treasurer by the financial institution or by a single collateral pool. By law, financial institutions must establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees.

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

**Deposits**

*Custodial Credit Risk.* In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At fiscal year-end, the carrying amount of the District's deposits was \$5,300,807 and the bank balance was \$5,502,567. Of the District's bank balance, \$250,146 was covered by federal deposit insurance while the remaining \$5,252,421 was exposed to custodial risk, as discussed below. In addition, the District held \$1,234 in petty cash at fiscal year-end.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Investment Type	Fair Value	Investment Maturities			
		Less Than 12 Months	12 to 24 Months	24 to 48 Months	48 to 60 Months
Money Market Funds	\$ 1,329,864	\$ 1,329,864	-	-	-
US Government Agency Notes:					
Federal Home Loan Bank	532,262	-	125,242	407,020	-
Federal Home Loan Mortgage Association	2,581,595	326,001	1,000,170	1,125,351	130,073
Federal National Mortgage Association	967,608	-	527,387	190,131	250,090
Federal Farm Credit Bank	235,172	-	235,172	-	-
Commercial Paper	1,166,725	1,166,725	-	-	-
Negotiable Certificate of Deposit	3,423,832	-	249,659	2,814,102	360,071
	<u>\$ 10,237,058</u>	<u>\$ 2,822,590</u>	<u>\$ 2,137,630</u>	<u>\$ 4,536,604</u>	<u>\$ 740,234</u>

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

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

*Credit Risk.* Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The District's US Government Agency Notes are rated AA+ by Standard & Poor while the Commercial Paper is rated A-1+. The District's negotiable certificates of deposit and money market funds were not rated.

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

	Fair Value	% To Total
Money Market Funds	\$ 1,329,864	13%
US Government Agency Notes	4,316,637	42%
Commercial Paper	1,166,725	11%
Negotiable Certificate of Deposit	3,423,832	34%
Total	<u>\$ 10,237,058</u>	<u>100%</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6 – PROPERTY TAXES**

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

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

	<u>Calendar Year 2015</u>		<u>Calendar Year 2016</u>	
	<u>Second Half Collections</u>		<u>First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property - Agricultural / Residential	\$ 122,345,850	58.71%	\$ 122,178,040	57.83%
Real Property - Commercial / Industrial	74,905,500	35.94%	78,176,970	37.00%
Real Property - Public Utilities	226,600	0.11%	224,260	0.11%
Personal Property - Public Utilities	10,919,960	5.24%	10,693,140	5.06%
Total Assessed Values	<u>\$ 208,397,910</u>	<u>100.00%</u>	<u>\$ 211,272,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 56.90		\$ 56.65

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

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2016 second-half property tax payments collected by the County by June 30, 2016 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility taxes and outstanding delinquencies that are measurable as of June 30, 2016. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2016 was \$3,033,017.



**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 – CAPITAL ASSETS**

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

<b>Asset Class</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Nondepreciable Capital Assets:				
Land	\$ 1,247,490	\$ -	\$ -	\$ 1,247,490
Total Nondepreciable Capital Assets	<u>1,247,490</u>	<u>-</u>	<u>-</u>	<u>1,247,490</u>
Depreciable Capital Assets:				
Buildings	74,548,658	-	-	74,548,658
Improvements	1,424,008	-	-	1,424,008
Furniture & Equipment	4,450,951	410,780	(140,806)	4,720,925
Vehicles	1,897,661	105,960	(341,361)	1,662,260
Total Depreciable Capital Assets	<u>82,321,278</u>	<u>516,740</u>	<u>(482,167)</u>	<u>82,355,851</u>
Less Accumulated Depreciation				
Buildings	12,760,488	1,525,918	-	14,286,406
Improvements	800,397	53,981	-	854,378
Furniture & Equipment	3,194,841	294,063	(58,859)	3,430,045
Vehicles	1,263,119	104,805	(298,219)	1,069,705
Total Accumulated Depreciation	<u>18,018,845</u>	<u>1,978,767</u>	<u>(357,078)</u>	<u>19,640,534</u>
Total Depreciable Capital Assets, Net	<u>64,302,433</u>	<u>(1,462,027)</u>	<u>(125,089)</u>	<u>62,715,317</u>
Total Capital Assets, Net	<u>\$ 65,549,923</u>	<u>\$ (1,462,027)</u>	<u>\$ (125,089)</u>	<u>\$ 63,962,807</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,608,817
Instruction Special	1,431
Instruction Vocational	4,340
Pupils	901
Instructional Staff	1,451
Board of Education	3,118
Administration	9,116
Fiscal Services	8,322
Operation and Maintenance of Plant	85,061
Pupil Transportation	82,926
Noninstructional Services	97,034
Extracurricular Activities	76,250
	<u>\$ 1,978,767</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

***School Employees Retirement System***

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. There was no percentage allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$514,847 for fiscal year 2016. Of this amount \$85,652 is reported as an intergovernmental payable.

***State Teachers Retirement System***

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates

The District's contractually required contribution to STRS was \$1,894,226 for fiscal year 2016. Of this amount, \$181,298 is reported as an intergovernmental payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$6,494,931	\$34,454,735	\$40,949,666
Proportion of the Net Pension Liability	0.1138244%	0.12466853%	
Pension Expense	\$488,558	\$1,863,088	\$2,351,646

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$102,801	\$1,562,137	\$1,664,938
Change in proportionate share	211,890	948,914	1,160,804
District contributions subsequent to the measurement date	514,847	1,894,226	2,409,073
<b>Total Deferred Outflows of Resources</b>	<b>\$829,538</b>	<b>\$4,405,277</b>	<b>\$5,234,815</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$181,165	\$2,313,366	\$2,494,531
<b>Total Deferred Inflows of Resources</b>	<b>\$181,165</b>	<b>\$2,313,366</b>	<b>\$2,494,531</b>

\$2,409,073 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	\$291	(\$269,957)	(\$269,666)
2018	291	(269,957)	(269,666)
2019	8,617	(32,729)	(24,112)
2020	124,327	770,328	894,655
Total	\$133,526	\$197,685	\$331,211

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$9,006,135	\$6,494,931	\$4,380,290

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$47,860,226	\$34,454,735	\$23,118,394

**Social Security**

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2016, no members of the Board of Education have elected Social Security. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is .00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2016, 2015, and 2014 were \$50,061, \$69,064, and \$42,230, respectively; 0% has been contributed for fiscal year 2016 and 100% for fiscal years 2015 and 2014.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$130,045, respectively. The entire amount has been contributed for each fiscal year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – RISK MANAGEMENT**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and a rider for volunteers. The District maintains replacement cost insurance on buildings and contents. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**C. Health Insurance**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 – LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
2006 Advance Refunding Bonds:					
Current Interest Bonds	\$ 8,395,000	\$ -	\$ (8,395,000)	\$ -	\$ -
Capital Appreciation Bonds	1,305,960	40,282	(680,000)	666,242	666,242
2006 School Improvement Bond					
Current Interest Bonds	1,805,000	-	(1,460,000)	345,000	345,000
2011 Refunding Bonds:					
Current Interest Bonds	1,715,000	-	-	1,715,000	-
Capital Appreciation Bonds	182,173	27,565	-	209,738	-
2012 Refunding Bonds:					
Current Interest Bonds	7,480,000	-	(140,000)	7,340,000	140,000
Capital Appreciation Bonds	744,659	159,071	-	903,730	-
2015 Refunding Bonds					
Current Interest Bonds	-	8,800,000	(150,000)	8,650,000	-
Bonds Payable	<u>21,627,792</u>	<u>9,026,918</u>	<u>(10,825,000)</u>	<u>19,829,710</u>	<u>1,151,242</u>
2006 Advance Refunding Bonds					
Premium on Bonds	3,415	-	(3,415)	-	-
2006 School Improvement Bond					
Premium on Bonds	192,586	-	(182,176)	10,410	-
2011 Refunding Bonds					
Premium on Bonds	119,663	-	(30,792)	88,871	-
2012 Refunding Bonds					
Premium on Bonds	973,163	-	(132,244)	840,919	-
2015 Refunding Bonds					
Premium on Bonds	-	1,090,195	(41,931)	1,048,264	-
Total Bonds Payable	<u>22,916,619</u>	<u>10,117,113</u>	<u>(11,215,558)</u>	<u>21,818,174</u>	<u>1,151,242</u>
Net Pension Liability					
SERS	5,481,001	1,013,930	-	6,494,931	-
STRS	29,137,558	5,317,177	-	34,454,735	-
Total Net Pension Liability	<u>34,618,559</u>	<u>6,331,107</u>	<u>-</u>	<u>40,949,666</u>	<u>-</u>
Capital Lease	219,755	-	(128,937)	90,818	-
Compensated Absences	861,859	194,483	(350,363)	705,979	182,773
	<u>\$ 58,616,792</u>	<u>\$ 16,642,703</u>	<u>\$ (11,694,858)</u>	<u>\$ 63,564,637</u>	<u>\$ 1,334,015</u>

All outstanding general obligation bonds relate to projects, for the purpose of constructing, improving and equipping schools. Such bonds are direct obligations of the District for which the full faith and credit and resources are pledged and a payable from taxes levied on all taxable property of the District. The District pays obligations related to employee compensation from the fund benefitting from their service.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 – LONG-TERM OBLIGATIONS (Continued)**

**2006 Advance Refunding Bonds** – On December 1, 2005, the District issued general obligation bonds of \$9,399,991 (par value) with interest rates ranging from 3.15% to 5% to advance refund current interest serial and term bonds with interest rates ranging from 3.85% to 5.375% and a par value of \$9,400,000. The term bonds mature December 1, 2016, December 1, 2021, and December 1, 2028, and were callable on December 1, 2011. The general obligation bonds were issued at a premium of \$598,594 and, after paying issuance costs of \$180,675, the net proceeds were \$9,817,910.

The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$645,558, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$398,253. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

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

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

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 – LONG-TERM OBLIGATIONS (Continued)**

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

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

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

The annual requirement to amortize all bonds outstanding as of June 30, 2016 is as follows:

	Principal	Interest	Total
2017	\$ 1,151,242	\$ 580,127	\$ 1,731,369
2018	1,175,000	544,125	1,719,125
2019	1,129,738	587,688	1,717,426
2020	1,138,695	541,867	1,680,562
2021	1,021,351	709,387	1,730,738
2022-2026	6,203,684	2,423,716	8,627,400
2027-2031	5,915,000	1,137,733	7,052,733
2032-2034	2,095,000	96,375	2,191,375
	\$ 19,829,710	\$ 6,621,018	\$ 26,450,728

The ORC provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations are a voted debt limit of \$19,014,517 and an unvoted debt limit of \$211,272. At fiscal year-end, the District exceeded the voted debt limit, however, ORC 133.06 permits a school district to incur indebtedness in excess of the 9% direct debt limitation if, based on five-year projections showing annual property value growth of 3% or more, unless the State Superintendent determines that such school district is a “special needs” district. The State Superintendent determined that the District is a special needs district during 2016.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**NOTE 12 – COMPENSATED ABSENCES**

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

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

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

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

**NOTE 13 – CAPITAL LEASE OBLIGATIONS**

The District has entered into two lease agreements as lessee for financing the acquisition of computers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases did not meet threshold to be capitalized. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	-	-	-
2018	90,818	2,534	93,352
Total	<u>\$ 90,818</u>	<u>\$ 2,534</u>	<u>\$ 93,352</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 – STATUTORY RESERVES**

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2015	\$ -
Current fiscal year set-aside requirement	539,181
Current year offsets	(539,181)
Qualifying Disbursements	-
Total	\$ -
Balance Carried Forward to Fiscal Year 2017	\$ -
Set-aside Balance June 30, 2016	\$ -

The District also had offsets during the fiscal year that reduced the capital acquisition set-aside amount. During fiscal year 2006, the District issued \$11,900,000 in capital related debt based on a building project under taken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2016, the District still has \$11,557,490 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

**NOTE 15 – JOINTLY GOVERNED ORGANIZATION**

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



**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**NOTE 16 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

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

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

<u>Fund</u>	<u>Amount</u>
Classroom Maintenance Fund	\$ 66,052

**B. Interfund Advances**

On an as-needed basis, the District's General Fund advances cash to other funds of the District to eliminate cash deficits. During the fiscal year, advances from the District's General Fund were made. As of June 30, 2016, receivables and payables that resulted from those advance transactions were as follows:

<u>Fund</u>	<u>Amount</u>
Athletics	\$ 9,971
Pre-School Education	90,091
IDEA, Part B	91,806
Title I	119,762
Improving Teacher Quality	16,714
Total	<u>\$ 328,344</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**NOTE 17 – CONTINGENCIES**

**A. 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. This also encompasses the Auditor of State’s ongoing review of student attendance data. The District was not sampled however, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

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

**C. Foundation Funding** - District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**D. Changes Between Measurement Date and Report Date** – In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year ending June 30, 2016, the District has implemented the following:

GASB Statement No. 72 *“Fair Value Measurement and Application”* enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 76 *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”* improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the District.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION  
(Continued)**

GASB Statement No. 79 “*Certain External Investment Pools and Pool Participants*” which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the District.

**NOTE 19 – COMPONENT UNIT DISCLOSURES**

**A. Summary of Significant Accounting Policies**

*Basis of Presentation and Accounting* - The financial statements of Hamilton Alternative Academy (HAA) have been prepared in conformity with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

*Property and Depreciation* - Capital assets, which consist of computers and computer equipment, are recorded at cost and updated for any additions and retirements during the fiscal year. HAA’s capitalization threshold is five hundred dollars. All of HAA’s capital assets are depreciated using the straight line method over five years of useful life.

*Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**B. Deposits**

At June 30, 2016, the carrying amount of the Academy's deposits was \$11,806 and the bank balance was \$58,841. All of the bank balance was covered by federal depository insurance and pooled collateral agreements with the banking institution. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**C. Capital Assets**

A summary of changes in depreciable capital assets during the fiscal year is as follows:

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 357,198	\$ -	\$ -	\$ 357,198
Total Depreciable Capital Assets	357,198	-	-	357,198
Total Accumulated Depreciation	(348,558)	(2,273)	-	(350,831)
Capital Assets, Net	<u>\$ 8,640</u>	<u>\$ (2,273)</u>	<u>\$ -</u>	<u>\$ 6,367</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**LAST THREE FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.113824%	0.108300%	0.108300%
District's Proportionate Share of the Net Pension Liability	\$ 6,494,931	\$ 5,481,001	\$ 6,440,254
District's Covered-Employee Payroll	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.77%	173.71%	214.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

**LAST THREE FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.124669%	0.119792%	0.119792%
District's Proportionate Share of the Net Pension Liability	\$ 34,454,735	\$ 29,137,558	\$ 34,708,468
District's Covered-Employee Payroll	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	260.23%	225.42%	278.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 514,847	\$ 451,087	\$ 437,309	\$ 415,646	\$ 400,641	\$ 382,374	\$ 400,824	\$ 254,852	\$ 380,379	\$ 359,736
Contributions in relation to the contractually required contribution	<u>429,195</u>	<u>451,087</u>	<u>437,309</u>	<u>415,646</u>	<u>400,641</u>	<u>382,374</u>	<u>400,824</u>	<u>254,852</u>	<u>380,379</u>	<u>359,736</u>
Contribution deficiency (excess)	<u>\$ 85,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,677,477	\$ 3,422,508	\$ 3,155,190	\$ 3,003,222	\$ 2,978,739	\$ 3,041,954	\$ 2,960,296	\$ 2,589,959	\$ 3,873,513	\$ 3,368,315
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 1,894,226	\$ 1,853,643	\$ 1,680,363	\$ 1,618,672	\$ 1,592,391	\$ 1,621,032	\$ 1,583,463	\$ 1,514,152	\$ 1,725,313	\$ 1,485,012
Contributions in relation to the contractually required contribution	<u>1,712,928</u>	<u>1,853,643</u>	<u>1,680,363</u>	<u>1,618,672</u>	<u>1,592,391</u>	<u>1,621,032</u>	<u>1,583,463</u>	<u>1,514,152</u>	<u>1,725,313</u>	<u>1,485,012</u>
Contribution deficiency (excess)	<u>\$ 181,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,530,187	\$ 13,240,308	\$ 12,925,871	\$ 12,451,319	\$ 12,249,158	\$ 12,469,473	\$ 12,180,484	\$ 11,647,325	\$ 13,271,638	\$ 11,423,169
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%



**HAMILTON LOCAL SCHOOL DISTRICT**  
*Schedule of Federal Awards Receipts and Expenditures*  
For the Fiscal Year Ended June 30, 2016

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Passed through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
National School Breakfast Program	2015/2016	10.553	\$0	\$321,682	\$0	\$321,682	\$0
National School Lunch Program	LL-P4-15	10.555	0	914,028	10,000	914,028	10,000
<i>Total Nutrition Cluster</i>			<u>0</u>	<u>1,235,710</u>	<u>10,000</u>	<u>1,235,710</u>	<u>10,000</u>
<b>Total U.S. Department of Agriculture</b>			0	1,235,710	10,000	1,235,710	10,000
<b><u>U.S. Department of Education</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Title I Cluster:</i>							
Title I Grants to Local Educational Agencies	C1-S1-15	84.010	0	0	0	2,557	0
Title I Grants to Local Educational Agencies	C1-S1-16	84.010	0	650,700	0	767,905	0
<i>Total Title I Cluster</i>			<u>0</u>	<u>650,700</u>	<u>0</u>	<u>770,462</u>	<u>0</u>
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	6B-SD-15	84.027	0	24,704	0	34,960	0
Special Education - Grants to States (IDEA Part B)	6B-SD-16	84.027	0	515,238	0	596,788	0
Special Education Grant	6B-SD-16	84.173	0	9,107	0	9,107	0
<i>Total Special Education Cluster</i>			<u>0</u>	<u>549,049</u>	<u>0</u>	<u>640,855</u>	<u>0</u>
Improving Teacher Quality	TR-S1-15	84.367	0	11,388	0	7,226	0
Improving Teacher Quality	TR-S1-16	84.367	0	68,357	0	84,586	0
<i>Total Improving Teacher Quality</i>			<u>0</u>	<u>79,745</u>	<u>0</u>	<u>91,812</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			0	1,279,494	0	1,503,129	0
<b>Total Federal Financial Assistance</b>			<u>\$0</u>	<u>\$2,515,204</u>	<u>\$10,000</u>	<u>\$2,738,839</u>	<u>\$10,000</u>

**HAMILTON LOCAL SCHOOL DISTRICT**  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
For the Fiscal Year Ended June 30, 2016

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hamilton Local School District's (the School District) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District), Franklin County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2017.

**Internal Control over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

### **Purpose of this Report**

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

*J. L. Uhrig and Associates, Inc.*

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

January 18, 2017

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

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

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

We have audited the Hamilton Local School District (the District), Franklin County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of Hamilton Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*J. L. Uhrig and Associates, Inc.*

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

January 18, 2017

**HAMILTON LOCAL SCHOOL DISTRICT**  
*Schedule of Findings*  
For the Fiscal Year Ended June 30, 2016

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

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

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

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

**C. FINDINGS FOR FEDERAL AWARDS**

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

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# Dave Yost • Auditor of State

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 28, 2017