

HAMILTON TOWNSHIP
WARREN COUNTY, OHIO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016

HAMILTON TOWNSHIP
WARREN COUNTY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hamilton Township
Warren County
7780 South State Route 48
Hamilton Township, Ohio 45039

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Township, Warren County, Ohio (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township'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 Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Township, Warren County, Ohio, as of December 31, 2016, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The budgetary comparison schedules for the General, Police, Fire and EMS and TIF Funds are not a required part of the financial statements. These budgetary comparison schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2017 on our consideration of the Township'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 Township's internal control over financial reporting and compliance.

Bastin & Company, L L C

Cincinnati, Ohio
April 19, 2017

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

This discussion and analysis of Hamilton Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2016, (within the limitations of the Township's cash basis of accounting).

The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2016 are as follows:

- The Township's total general receipts are primarily property taxes, other local taxes, and payments in lieu of taxes. General receipts represent \$7,134,630, or 84 percent, of the total cash received for governmental activities during the year.
- The Township had \$8,551,276 in disbursements; only \$1,309,112 of these disbursements were offset by program specific charges for services and sales, grants and contributions.
- Net position of governmental activities decreased \$107,534, or 1 percent.

Using the Basic Financial Statements

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

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Township as a whole.

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2016, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

The statement of net position and the statement of activities are comprised of governmental activities only.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all reported as governmental type funds.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented in the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Police Fund, Fire and EMS Fund, and TIF Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2016 and 2015 on the cash basis:

(Table 1)
Net Position

	Governmental Activities		
	2016	2015	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 9,623,471</u>	<u>\$ 9,731,005</u>	<u>\$ (107,534)</u>
Net Position			
Restricted for:			
Roads and Bridges	\$ 972,307	\$ 577,721	\$ 394,586
Cemeteries	51,082	40,196	10,886
Police Protection	1,859,006	1,799,461	59,545
Fire and EMS Services	4,742,624	4,429,990	312,634
Street Lighting	50,134	68,348	(18,214)
Purposes of TIF Agreement	753,004	1,876,429	(1,123,425)
Unrestricted	<u>1,195,314</u>	<u>938,860</u>	<u>256,454</u>
Total Net Position	<u>\$ 9,623,471</u>	<u>\$ 9,731,005</u>	<u>\$ (107,534)</u>

As mentioned previously, net position of governmental activities decreased \$107,534, or 1 percent, during 2016. The decrease in net position is primarily due to a slight increase in general government expenditures in 2016 compared to 2015 as well as reduced property tax collections (and the related state allocation associated with such) for 2016 compared to 2015.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2016 and 2015.

(Table 2)
Change in Net Position

	Governmental Activities	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,000,190	\$1,011,615
Operating Grants and Contributions	308,922	270,145
Total Program Receipts	<u>1,309,112</u>	<u>1,281,760</u>
General Revenues:		
Property and Other Local Taxes	5,846,112	6,074,509
Payments in Lieu of Taxes	7,792	1,065,114
Grants and Entitlements not Restricted to Specific Programs	1,095,940	1,239,735
Earnings on Investments	12,916	8,461
Miscellaneous	171,870	154,916
Total General Receipts	<u>7,134,630</u>	<u>8,542,735</u>
Total Receipts	<u>8,443,742</u>	<u>9,824,495</u>
Disbursements:		
Current		
General Government	868,566	699,918
Public Safety	5,082,816	5,076,279
Public Works	1,715,860	1,789,989
Public Health	51,201	38,632
Conservation-Recreation	53,093	131,842
Service Payments to Schools	530,745	498,729
Debt Service		
Principal	203,070	203,070
Interest and Fiscal Charges	45,925	49,525
Total Disbursements	<u>8,551,276</u>	<u>8,487,984</u>
Change in Net Position	(107,534)	1,336,511
Net Position at Beginning of Year	<u>9,731,005</u>	<u>8,394,494</u>
Net Position at End of Year	<u>\$9,623,471</u>	<u>\$9,731,005</u>

Program receipts represent only 16 and 13 percent of total receipts during 2016 and 2015, respectively, and are primarily comprised of restricted intergovernmental receipts such as state grants, zoning permits and inspection fees, cell tower fees, fines and forfeitures and charges for emergency medical services provided by the fire department.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

General receipts represent 84% and 87% of the Township's total receipts during 2016 and 2015, respectively. Property, other local taxes and payments in lieu of taxes comprised 82% and 84% of general receipts for 2016 and 2015, respectively. Grants and entitlements not restricted to specific programs make up 13 percent of total receipts for both 2016 and 2015, and include revenue from the State of Ohio (i.e., Local Government Funds, Estate Tax, Homestead and Rollback allocation, etc.). Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for other government activities. These include the costs associated with providing Township administration, accounting, and planning & zoning.

Public safety represents the costs of police and fire protection and emergency medical services, which makes up 59% and 60% of the total disbursements for 2016 and 2015, respectively. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts, and makes up 20% and 21% of the total disbursements for 2016 and 2015, respectively. Public health includes the cost to maintain the Township's Cemetery, and Conservation-Recreation includes the personnel and maintenance costs for all of the Township's parks. Service payments to schools reports payments made to local school districts in accordance with the Township's TIF agreement.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the protection and safety of the residents, both police and fire, which account for \$5,082,816 and \$5,076,279, or 59% and 60% of all governmental disbursements for 2016 and 2015, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

A comparison between the total cost of services and the net cost of services for 2016 and 2015 is presented in Table 3.

(Table 3)
 Governmental Activities

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Current				
General Government	\$ 868,566	\$ 784,857	\$ 699,918	\$ 635,661
Public Safety	5,082,816	4,478,943	5,076,279	4,544,623
Public Works	1,715,860	1,141,962	1,789,989	1,247,015
Public Health	51,201	10,441	38,632	2,765
Conservation-Recreation	53,093	46,221	131,842	24,836
Service Payments to Schools	530,745	530,745	498,729	498,729
Debt Service				
Principal	203,070	203,070	203,070	203,070
Interest and Fiscal Charges	45,925	45,925	49,525	49,525
Total Disbursements	<u>\$ 8,551,276</u>	<u>\$ 7,242,164</u>	<u>\$ 8,487,984</u>	<u>\$ 7,206,224</u>

The dependence upon property tax and intergovernmental receipts is apparent as 84 percent of governmental activities are supported through these general receipts for both 2016 and 2015.

The Township's Funds

Information about the Township's major funds is reported on the Statement of Assets and Fund Balances – Cash Basis and the Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis. Total governmental funds had receipts of \$8,443,742 in 2016, while total disbursements were \$8,551,276.

The fund balance of the General Fund increased \$256,454 from the prior year. This was primarily due to management's continuing efforts to reduce expenditures.

General Fund Budgeting Highlights

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

The General Fund's final budgeted disbursements were \$1,886,207 while actual disbursements came in at \$1,618,247, which put the Township's disbursements under budget by 14 percent.

The General Fund's final budgeted receipts were \$1,122,183 while actual receipts came in at \$1,216,370, which resulted in a positive budget variance of 8%.

Overall, the Township ended the year with \$362,147 more in the General Fund than what was estimated in the final budget.

Hamilton Township
Warren County, Ohio
Management's Discussion and Analysis
Unaudited

Capital Assets and Debt Administration

Capital Assets - The Township maintains inventory records on the Township's capital equipment and performs routine updates. The Township does not report non-cash assets on the financial statements.

Debt - At December 31, 2016, the Township's outstanding debt totaled \$1,592,551. For further information regarding the Township's debt, refer to Note 8 to the basic financial statements.

Current Issues

The challenge for all townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. The Township's financial condition remained constant during 2016. The Township intends to maintain this positive financial condition by carefully monitoring the activity in all of the Township's funds and by taking actions necessary to keep our funds, and the Township as a whole, on stable financial ground.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Fiscal Office at 7780 South State Route 48, Hamilton Township, Ohio 45039.

Hamilton Township
Warren County, Ohio
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,623,471
<i>Total Assets</i>	<i>\$ 9,623,471</i>
 Net Position	
Restricted for:	
Roads and Bridges	\$ 972,307
Cemeteries	51,082
Police Protection	1,859,006
Fire and EMS Services	4,742,624
Street Lighting	50,134
Purposes of TIF Agreement	753,004
Unrestricted	1,195,314
<i>Total Net Position</i>	<i>\$ 9,623,471</i>

See accompanying notes to the basic financial statements

Hamilton Township
Warren County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2016

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Current:					
General Government	\$ 868,566	\$ 83,709	\$ -	\$ -	\$ (784,857)
Public Safety	5,082,816	518,454	85,419	-	(4,478,943)
Public Works	1,715,860	350,465	223,433	-	(1,141,962)
Public Health	51,201	40,760	-	-	(10,441)
Conservation-Recreation	53,093	6,802	70	-	(46,221)
Service Payments to Schools	530,745	-	-	-	(530,745)
Debt Service:					
Principal Retirement	203,070	-	-	-	(203,070)
Interest and Fiscal Charges	45,925	-	-	-	(45,925)
Total Governmental Activities	\$ 8,551,276	\$ 1,000,190	\$ 308,922	\$ -	(7,242,164)
General Receipts:					
Property and Other Taxes Levied for:					
					655,677
					4,255,888
					934,547
					7,792
					1,095,940
					12,916
					171,870
					<u>7,134,630</u>
					(107,534)
					<u>9,731,005</u>
					<u>\$ 9,623,471</u>

See accompanying notes to the basic financial statements

Hamilton Township
Warren County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	General Fund	Police Fund	Fire and EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,195,314	\$ 1,772,522	\$ 4,266,638	\$ 753,004	\$ 1,635,993	\$ 9,623,471
Total Assets	\$ 1,195,314	\$ 1,772,522	\$ 4,266,638	\$ 753,004	\$ 1,635,993	\$ 9,623,471
Fund Balances						
Restricted						
Roads and Bridges	\$ -	\$ -	\$ -	\$ -	\$ 972,307	\$ 972,307
Cemeteries	-	-	-	-	51,082	51,082
Police Protection	-	1,772,522	-	-	86,484	1,859,006
Fire and EMS Services	-	-	4,266,638	-	475,986	4,742,624
Street Lighting	-	-	-	-	50,134	50,134
Purposes of TIF Agreement	-	-	-	753,004	-	753,004
Total Restricted	-	1,772,522	4,266,638	753,004	1,635,993	8,428,157
Assigned						
Encumbrances	197,294	-	-	-	-	197,294
Unassigned (Deficit)	998,020	-	-	-	-	998,020
Total Fund Balances	\$ 1,195,314	\$ 1,772,522	\$ 4,266,638	\$ 753,004	\$ 1,635,993	\$ 9,623,471

See accompanying notes to the basic financial statements

Hamilton Township
Warren County, Ohio
Governmental Funds

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
For the Year Ended December 31, 2016

	General Fund	Police Fund	Fire and EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 655,677	\$ 2,043,911	\$ 2,211,977	\$ -	\$ 934,547	\$ 5,846,112
Payments in Lieu of Taxes	-	-	-	7,792	-	7,792
Charges for Services	17,279	53,762	13,500	-	369,862	454,403
Licenses, Permits and Fees	179,723	69	-	-	27,560	207,352
Fines and Forfeitures	-	18,836	-	-	8,779	27,615
Intergovernmental	260,308	301,065	323,192	-	369,130	1,253,695
Special Assessments	-	-	-	-	343,695	343,695
Earnings on Investments	9,571	-	-	-	3,345	12,916
Miscellaneous	93,812	60,052	112,819	-	23,479	290,162
Total Receipts	1,216,370	2,477,695	2,661,488	7,792	2,080,397	8,443,742
Disbursements						
Current:						
General Government	868,094	-	-	472	-	868,566
Public Safety	-	2,279,490	2,544,629	-	195,020	5,019,139
Public Works	455,369	-	-	-	1,245,726	1,701,095
Health	21,327	-	-	-	29,874	51,201
Conservation-Recreation	53,093	-	-	-	-	53,093
Service Payments to Schools	-	-	-	530,745	-	530,745
Capital Outlay	-	14,944	-	-	63,498	78,442
Debt Service:						
Principal Retirement	23,070	-	-	-	180,000	203,070
Interest and Fiscal Changes	-	-	-	-	45,925	45,925
Total Disbursements	1,420,953	2,294,434	2,544,629	531,217	1,760,043	8,551,276
Excess of Receipts Over (Under) Disbursements	(204,583)	183,261	116,859	(523,425)	320,354	(107,534)
Other Financing Sources (Uses)						
Transfers In	600,000	-	26,000	-	225,925	851,925
Transfers Out	(138,963)	(112,962)	-	(600,000)	-	(851,925)
Total Other Financing Sources (Uses)	461,037	(112,962)	26,000	(600,000)	225,925	-
Net Change in Fund Balances	256,454	70,299	142,859	(1,123,425)	546,279	(107,534)
Fund Balances Beginning of Year	938,860	1,702,223	4,123,779	1,876,429	1,089,714	9,731,005
Fund Balances End of Year	\$ 1,195,314	\$ 1,772,522	\$ 4,266,638	\$ 753,004	\$ 1,635,993	\$ 9,623,471

See accompanying notes to the basic financial statements

Hamilton Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

Hamilton Township, Warren County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, police and fire protection, emergency medical services, and cemetery maintenance.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Hamilton Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fund Financial Statements During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are all categorized as governmental funds.

Governmental Funds Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

General Fund: This fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Police Fund: This fund accounts for proceeds from property taxes and other cash receipts restricted for police department operations and protection services.

Fire and EMS Fund: This fund accounts for proceeds from property taxes and other cash receipts restricted for fire department and life squad protection and emergency services.

TIF Fund: This fund accounts for and reports resources that are restricted in accordance with the Township's tax increment financing (TIF) agreement.

The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

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

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For the Year Ended December 31, 2016

Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2016, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2016 were \$9,571.

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

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Notes to the Basic Financial Statements
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Net Position

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for maintaining roads and bridges, cemeteries, police, fire and EMS, street lighting and TIF-related services.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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. It also includes the long-term amount of interfund loans.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. State Statute authorizes the Township Clerk to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Deposits and Investments

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

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

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

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

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

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

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Notes to the Basic Financial Statements
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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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 Township, 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 clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,282,852 of the Township's bank balance of \$9,741,292 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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 later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2016, was \$10.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 632,923,790
Public Utility Personal Property Assessed Valuation	<u>19,105,440</u>
Total	<u><u>\$ 652,029,230</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 5 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Township contracted for various types of insurance coverage as follows:

- Property Coverage
- Inland Marine
- General Liability
- Comprehensive Auto
- Public Officials and Management Liability
- Law Enforcement Activity Liability
- Cyber Liability
- Crime
- Excess Liability

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Hamilton Township
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For the Year Ended December 31, 2016

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Self-Insurance

The Township provides optional health insurance for eligible employees through the Jefferson Health Plan (the Plan) which is a claims-servicing, self-insurance pool organized under Ohio Revised Code Chapter 167 for the purpose of establishing and carrying out a cooperative program to administer medical, prescription, vision and dental benefits for employees of the participating members and their eligible dependents. The Plan contracts with third-party administrators to process and pay health, dental, life and vision claims incurred by its members.

The Township is obligated to pay a monthly fee based on an estimate of its share of the Plan's costs for the fiscal year. Included in this estimate are claims by eligible employees, which are payable by the Township, the Township's share of the medical, prescription, vision and dental insurance premiums, and its proportionate share of the administrative costs of the Plan. The actual balance of the Township's account is determined on a monthly basis and such balance is required to meet or exceed the claims that have been incurred but not reported (IBNR) and to maintain adequate reserves or current funding to meet or exceed its claims fluctuation reserve requirements. If the Township is in a deficit position, it has two fiscal years to make up the negative reserve amount or an insufficient IBNR and three fiscal years to make up insufficient claims fluctuation reserves.

The Township may withdraw from the Plan with as much notice as is possible for the termination, allowing the Plan time to determine any withdrawal balance owed to or by the Township. Any outstanding reserve balances are held by the Plan for a maximum period of six months to satisfy the payment of claims incurred before termination. The Township would then have the option to pay all claims incurred prior to the termination of membership so that any reserves could be released sooner. If the Township would be found to be in a deficit position and wishing to leave the Plan, it would be required to repay its deficit in full within 90 days of the effective withdrawal date. Additionally, such terminating member will be required to pay any claims incurred prior to termination notification.

The Township joined the Plan on September 1, 2016 and amounts paid to the Plan during 2016 totaled \$89,104.

Note 6 – Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Township employees, other than full-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Hamilton Township
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For the Year Ended December 31, 2016

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
 2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution was \$306,419 for 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – Township full-time firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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For the Year Ended December 31, 2016

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contribution to OPF was \$226,391 for 2016.

Hamilton Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0

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For the Year Ended December 31, 2016

percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Township's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$38,900, \$40,395, and \$40,163, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

Hamilton Township
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For the Year Ended December 31, 2016

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OPF for the years ended December 31, 2016, 2015, and 2014 were \$4,754, \$4,326, and \$4,700, respectively. The full amount has been contributed for all three years.

Note 8 – Debt

A summary of the Township's long-term debt activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation:					
Series 2011 Bonds - 2% to 4%	\$ 1,265,000	\$ -	\$(180,000)	\$ 1,085,000	\$ 110,000
OPWC Loan Payable - 0%	530,621	-	(23,070)	507,551	23,070
Total Governmental Activities	<u>\$ 1,795,621</u>	<u>\$ -</u>	<u>\$(203,070)</u>	<u>\$ 1,592,551</u>	<u>\$ 133,070</u>

The general obligation bonds and OPWC loan payable are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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The following is a summary of the Township's future annual debt service requirements:

	Series 2011 Bonds		OPWC Loan Payable	
	Principal	Interest	Principal	Interest
2017	\$ 110,000	\$ 38,725	\$ 23,070	\$ -
2018	110,000	34,325	23,070	-
2019	105,000	31,025	23,070	-
2020	105,000	27,875	23,070	-
2021	100,000	24,725	23,070	-
2022-2026	470,000	70,950	115,350	-
2027-2031	85,000	3,400	115,350	-
2032-2036	-	-	115,350	-
2037-2038	-	-	46,151	-
Total	\$ 1,085,000	\$ 231,025	\$ 507,551	\$ -

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2016, were an overall debt margin of approximately \$68,000,000 and an unvoted debt margin of approximately \$35,000,000.

Note 9 – Transfers

During 2016, the following transfers were made:

Transfer from Fund	Transfer to Fund	Amount
General Fund	Bond Retirement Fund	\$ 112,963
Police Fund	Bond Retirement Fund	112,962
General Fund	Fire and EMS Fund	26,000
TIF Fund	General Fund	600,000
		\$ 851,925

The General Fund transferred \$112,963 to the Bond Retirement Fund to provide resources for current year debt service.

The Police Fund transferred \$112,962 to the Bond Retirement Fund for current year debt service related to the police department's pro-rata use of the Township's administration building.

The General Fund transferred \$26,000 to the Fire and EMS Fund as permitted by Ohio Revised Code Section 5705.

The TIF Fund transferred \$600,000 to the General Fund in connection with the winding down of the TIF Fund, more fully described in Note 11.

Hamilton Township
Warren County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal, state and local governments. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Termination of TIF Fund

On April 15, 2015 the Board of Trustees approved Resolution #15-0415, authorizing the termination of the Tax Increment Financing Exemption (TIF) established in Resolution #01-1212. After termination and payment of all obligations of the TIF, the Township anticipates transferring the remaining funds to the General Fund for future use on Township related road and bridge projects. During 2016, the TIF Fund transferred \$600,000 to the General Fund. As of December 31, 2016 the Township's TIF Fund maintained a cash balance of \$753,004.

Supplementary Information

Hamilton Township
Warren County, Ohio
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 626,992	\$ 626,992	\$ 655,677	\$ 28,685
Charges for Services	29,793	29,793	17,279	(12,514)
Licenses, Permits and Fees	159,634	159,634	179,723	20,089
Intergovernmental	279,526	279,526	260,308	(19,218)
Interest	4,012	4,012	9,571	5,559
Other	22,226	22,226	93,812	71,586
<i>Total Receipts</i>	<u>1,122,183</u>	<u>1,122,183</u>	<u>1,216,370</u>	<u>94,187</u>
Disbursements				
Current				
General Government				
Administration				
Personal Services	299,014	339,413	303,478	35,935
Other	419,746	669,383	601,142	68,241
Zoning				
Personal Services	44,138	44,363	44,346	17
Other	54,450	54,450	45,807	8,643
Public Works				
Other	600,000	600,000	455,369	144,631
Health				
Other	22,087	22,087	21,327	760
Conservation and Recreation				
Personal Services	15,000	14,375	8,506	5,869
Other	68,443	119,065	115,202	3,863
Capital Outlay	26,000	-	-	-
Debt Service				
Principal Retirement	23,071	23,071	23,070	1
<i>Total Disbursements</i>	<u>1,571,949</u>	<u>1,886,207</u>	<u>1,618,247</u>	<u>267,960</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(449,766)</u>	<u>(764,024)</u>	<u>(401,877)</u>	<u>362,147</u>
Other Financing Sources (Uses)				
Transfers In	-	600,000	600,000	-
Transfers Out	(112,963)	(138,963)	(138,963)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(112,963)</u>	<u>461,037</u>	<u>461,037</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(562,729)</u>	<u>(302,987)</u>	<u>59,160</u>	<u>362,147</u>
<i>Fund Balance at Beginning of Year</i>	895,733	895,733	895,733	-
<i>Prior Year Encumbrances</i>	43,127	43,127	43,127	-
<i>Fund Balance at End of Year</i>	<u>\$ 376,131</u>	<u>\$ 635,873</u>	<u>\$ 998,020</u>	<u>\$ 362,147</u>

Hamilton Township
Warren County, Ohio
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 1,915,916	\$ 1,915,916	\$ 2,043,911	\$ 127,995
Charges for Services	84,063	84,063	53,762	(30,301)
Licenses, Permits and Fees	9,696	9,696	69	(9,627)
Fines and Forfeitures	16,142	16,142	18,836	2,694
Intergovernmental	332,446	332,446	301,065	(31,381)
Other	67,032	67,032	60,052	(6,980)
<i>Total Receipts</i>	<u>2,425,295</u>	<u>2,425,295</u>	<u>2,477,695</u>	<u>52,400</u>
Disbursements				
Current				
Public Safety				
Police Protection				
Personal Services	1,334,457	1,334,457	1,253,672	80,785
Other	1,043,581	1,290,145	1,139,900	150,245
Capital Outlay	7,000	15,995	14,944	1,051
<i>Total Disbursements</i>	<u>2,385,038</u>	<u>2,640,597</u>	<u>2,408,516</u>	<u>232,081</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,257</u>	<u>(215,302)</u>	<u>69,179</u>	<u>284,481</u>
Other Financing Sources (Uses)				
Transfers Out	(112,963)	(112,963)	(112,962)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(112,963)</u>	<u>(112,963)</u>	<u>(112,962)</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	(72,706)	(328,265)	(43,783)	284,482
<i>Fund Balance at Beginning of Year</i>	1,620,062	1,620,062	1,620,062	-
<i>Prior Year Encumbrances</i>	82,161	82,161	82,161	-
<i>Fund Balance at End of Year</i>	<u>\$ 1,629,517</u>	<u>\$ 1,373,958</u>	<u>\$ 1,658,440</u>	<u>\$ 284,482</u>

Hamilton Township
Warren County, Ohio
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire and EMS Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,031,282	\$ 2,031,282	\$ 2,211,977	\$ 180,695
Charges for Services	12,375	12,375	13,500	1,125
Intergovernmental	354,845	354,845	323,192	(31,653)
Other	90,500	90,500	112,819	22,319
<i>Total Receipts</i>	<u>2,489,002</u>	<u>2,489,002</u>	<u>2,661,488</u>	<u>172,486</u>
Disbursements				
Current				
Public Safety				
Fire and EMS Services				
Personal Services	1,509,942	1,509,942	1,422,992	86,950
Other	1,145,653	1,407,956	1,239,284	168,672
<i>Total Disbursements</i>	<u>2,655,595</u>	<u>2,917,898</u>	<u>2,662,276</u>	<u>255,622</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(166,593)</u>	<u>(428,896)</u>	<u>(788)</u>	<u>428,108</u>
Other Financing Sources (Uses)				
Transfers In	-	26,000	26,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(166,593)	(402,896)	25,212	428,108
<i>Fund Balance at Beginning of Year</i>	3,978,838	3,978,838	3,978,838	-
<i>Prior Year Encumbrances</i>	144,941	144,941	144,941	-
<i>Fund Balance at End of Year</i>	<u>\$ 3,957,186</u>	<u>\$ 3,720,883</u>	<u>\$ 4,148,991</u>	<u>\$ 428,108</u>

Hamilton Township
Warren County, Ohio
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
TIF Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Receipts				
Payments in Lieu of Taxes	\$ -	\$ -	\$ 7,792	\$ 7,792
<i>Total Receipts</i>	-	-	7,792	7,792
Disbursements				
Current				
General Government				
Administration				
Other	-	472	472	-
Service Payments to Schools	514,771	530,745	530,745	-
<i>Total Disbursements</i>	514,771	531,217	531,217	-
<i>Excess of Receipts Over (Under) Disbursements</i>	(514,771)	(531,217)	(523,425)	7,792
Other Financing Sources (Uses)				
Transfers Out	-	(600,000)	(600,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	(600,000)	(600,000)	-
<i>Net Change in Fund Balance</i>	(514,771)	(1,131,217)	(1,123,425)	7,792
<i>Fund Balance at Beginning of Year</i>	1,876,429	1,876,429	1,876,429	-
<i>Fund Balance at End of Year</i>	<u>\$ 1,361,658</u>	<u>\$ 745,212</u>	<u>\$ 753,004</u>	<u>\$ 7,792</u>

Hamilton Township
Warren County, Ohio
Notes to Supplementary Information
December 31, 2016

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township’s authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, department, and object level for all funds.

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

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

Note 2 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General, Police, Fire and EMS, and TIF Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances, which are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis schedules.

	General	Police	Fire & EMS	TIF
Change in Fund Balance - Cash Basis	\$ 256,454	\$ 70,299	\$ 142,859	\$ (1,123,425)
Encumbrances	(197,294)	(114,082)	(117,647)	-
Change in Fund Balance - Budgetary Basis	<u>\$ 59,160</u>	<u>\$ (43,783)</u>	<u>\$ 25,212</u>	<u>\$ (1,123,425)</u>

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hamilton Township
Warren County
7780 South State Route 48
Hamilton Township, Ohio 45039

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton Township, Warren County, (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 19, 2017, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Bastin & Company, L L C

Cincinnati, Ohio
April 19, 2017