



***HAMILTON LOCAL SCHOOL DISTRICT***

---

**FRANKLIN COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2002**

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

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS



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**Auditor of State  
Betty Montgomery**

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Board of Education  
Hamilton Local School District  
4999 Lockbourne Road  
Columbus, OH 43207

We have reviewed the Independent Auditor's Report of the Hamilton Local School District, Franklin County, prepared by J.L. Uhrig & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 23, 2003

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**HAMILTON LOCAL SCHOOL DISTRICT**

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## Independent Auditor's Report

Board of Education  
Hamilton Local School District  
4999 Lockbourne Road  
Columbus, Ohio 43207

We have audited the accompanying general purpose financial statements of the Hamilton Local School District (the District) as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*J. L. Uhrig and Associates, Inc.*  
J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002

**HAMILTON LOCAL SCHOOL DISTRICT**

*Combined Balance Sheet*

**All Fund Types and Account Groups**

June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 239,146	\$ 198,149	\$ 0	\$ 13,314,457
Investments	0	0	0	2,562,537
Receivables:				
Taxes	7,021,070	0	1,242,727	427,735
Accounts	17,837	50	0	0
Accrued Interest	32,301	0	0	17,946
Intergovernmental	0	510,322	0	0
Interfund Receivable	508,462	0	0	0
Due from Other Funds	204,332	7,161	0	0
Materials and Supplies Inventory	0	0	0	0
Fixed Assets (Net)	0	0	0	0
<b><u>Other Debits</u></b>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$ 8,023,148</u></b>	<b><u>\$ 715,682</u></b>	<b><u>\$ 1,242,727</u></b>	<b><u>\$ 16,322,675</u></b>
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 166,014	\$ 27,438	\$ 0	\$ 0
Contracts Payable	0	0	0	465,491
Accrued Wages and Benefits	1,504,812	74,180	0	0
Compensated Absences Payable	96,465	0	0	0
Intergovernmental Payable	13,643	748	0	0
Interfund Payable	0	494,051	0	0
Deferred Revenue	6,207,295	544,905	1,073,576	369,863
Due to Other Funds	161,292	6,311	0	0
Due to Others	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>8,149,521</u></b>	<b><u>1,147,633</u></b>	<b><u>1,073,576</u></b>	<b><u>835,354</u></b>
<b><u>Fund Equity and Other Credits</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings: Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	348,591	42,527	0	9,573,532
Reserved for Taxes Unavailable for Appropriation	813,775	0	169,151	57,872
Unreserved, Undesignated	(1,288,739)	(474,478)	0	5,855,917
<b>Total Fund Equity and Other Credits</b>	<b><u>(126,373)</u></b>	<b><u>(431,951)</u></b>	<b><u>169,151</u></b>	<b><u>15,487,321</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$ 8,023,148</u></b>	<b><u>\$ 715,682</u></b>	<b><u>\$ 1,242,727</u></b>	<b><u>\$ 16,322,675</u></b>

See accompanying Notes to the General Purpose Financial Statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 601	\$ 366,909	\$ 523,356	\$ 0	\$ 0	\$ 14,642,618
0	0	0	0	0	2,562,537
0	0	0	0	0	8,691,532
0	0	1,712	0	0	19,599
0	0	0	0	0	50,247
30,282	0	0	0	0	540,604
0	0	0	0	0	508,462
6,548	0	186,361	0	0	404,402
24,329	0	0	0	0	24,329
63,653	0	0	15,887,350	0	15,951,003
0	0	0	0	169,151	169,151
0	0	0	0	18,168,954	18,168,954
<u>\$ 125,413</u>	<u>\$ 366,909</u>	<u>\$ 711,429</u>	<u>\$ 15,887,350</u>	<u>\$ 18,338,105</u>	<u>\$ 61,733,438</u>
\$ 349	\$ 662	\$ 69	\$ 0	\$ 0	\$ 194,532
0	0	0	0	0	465,491
58,371	0	0	0	0	1,637,363
30,228	0	0	0	756,652	883,345
412	0	398,942	0	90,453	504,198
0	0	14,411	0	0	508,462
13,724	0	0	0	0	8,209,363
18,758	0	218,041	0	0	404,402
0	0	52,505	0	0	52,505
0	0	0	0	17,491,000	17,491,000
<u>121,842</u>	<u>662</u>	<u>683,968</u>	<u>0</u>	<u>18,338,105</u>	<u>30,350,661</u>
0	0	0	15,887,350	0	15,887,350
3,571	366,247	0	0	0	369,818
0	0	2,000	0	0	9,966,650
0	0	0	0	0	1,040,798
0	0	25,461	0	0	4,118,161
<u>3,571</u>	<u>366,247</u>	<u>27,461</u>	<u>15,887,350</u>	<u>0</u>	<u>31,382,777</u>
<u>\$ 125,413</u>	<u>\$ 366,909</u>	<u>\$ 711,429</u>	<u>\$ 15,887,350</u>	<u>\$ 18,338,105</u>	<u>\$ 61,733,438</u>

**HAMILTON LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and Changes in Fund Balances*

**All Governmental Fund Types and Expendable Trust Fund**

For the Year Ended June 30, 2002

	<b>Governmental Fund Types</b>			
	<b>General Fund</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>				
Taxes	\$ 7,009,118	\$ 0	\$ 1,255,103	\$ 431,697
Intergovernmental	10,661,557	647,287	110,438	119,290
Earnings on Investments	225,015	0	0	219,184
Tuition and Fees	48,197	0	0	0
Extracurricular Activities	0	167,302	0	0
Rentals	16,125	0	0	0
Miscellaneous	37,048	50,427	0	5,068
<b>Total Revenues</b>	<b>17,997,060</b>	<b>865,016</b>	<b>1,365,541</b>	<b>775,239</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,739,416	284,946	0	0
Special	1,379,840	362,301	0	0
Vocational	492,931	0	0	0
Adult/Continuing	3,068	0	0	0
Other	750,253	0	0	0
Support Services:				
Pupils	803,344	4,333	0	0
Instructional Staff	646,745	25,840	0	0
Board of Education	156,140	7,629	0	0
Administration	1,613,484	252,957	0	0
Fiscal	1,834,574	6,380	21,999	5,331
Business	6	0	0	0
Operation and Maintenance of Plant	1,573,386	0	0	78,441
Pupil Transportation	810,606	0	0	0
Central	27,566	0	0	0
Operation of Non-Instructional Services	0	23,500	0	0
Extracurricular Activities	403,376	290,098	0	0
Capital Outlay	0	0	0	2,073,850
Debt Service:				
Principal Retirement	0	0	17,021,000	0
Interest and Fiscal Charges	0	0	1,324,323	0
<b>Total Expenditures</b>	<b>18,234,735</b>	<b>1,257,984</b>	<b>18,367,322</b>	<b>2,157,622</b>
Excess of Revenues (Under) Expenditures	(237,675)	(392,968)	(17,001,781)	(1,382,383)
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	59,120	0	0	0
Operating Transfers In	0	683,860	106,914	130,084
Operating Transfers Out	(1,222,013)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,162,893)</b>	<b>683,860</b>	<b>106,914</b>	<b>130,084</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,400,568)	290,892	(16,894,867)	(1,252,299)
Fund Balances (Deficits) at Beginning of Year Restated (See Note 3)	1,274,195	(722,843)	17,064,018	16,739,620
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$ (126,373)</b>	<b>\$ (431,951)</b>	<b>\$ 169,151</b>	<b>\$ 15,487,321</b>

See accompanying Notes to the General Purpose Financial Statements.

<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
<b>Expendable Trust</b>	
\$ 0	\$ 8,695,918
0	11,538,572
0	444,199
0	48,197
0	167,302
0	16,125
42,998	135,541
<u>42,998</u>	<u>21,045,854</u>
0	8,024,362
0	1,742,141
0	492,931
0	3,068
0	750,253
0	807,677
0	672,585
0	163,769
46,572	1,913,013
0	1,868,284
0	6
0	1,651,827
0	810,606
0	27,566
0	23,500
0	693,474
0	2,073,850
0	17,021,000
0	1,324,323
<u>46,572</u>	<u>40,064,235</u>
(3,574)	(19,018,381)
0	59,120
0	920,858
0	(1,222,013)
<u>0</u>	<u>(242,035)</u>
(3,574)	(19,260,416)
<u>31,035</u>	<u>34,386,025</u>
<u>\$ 27,461</u>	<u>\$ 15,125,609</u>

**HAMILTON LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*  
**All Governmental Fund Types and Expendable Trust Fund**  
For the Year Ended June 30, 2002

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 6,844,202	\$ 6,844,202	\$ 0
Intergovernmental	10,384,457	10,661,557	277,100
Earnings on Investments	220,856	197,833	(23,023)
Tuition and Fees	48,135	48,135	0
Extracurricular Activities	0	0	0
Rentals	16,125	16,125	0
Miscellaneous	21,193	21,692	499
<b>Total Revenues</b>	<b>17,534,968</b>	<b>17,789,544</b>	<b>254,576</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	7,964,905	7,759,125	205,780
Special	1,331,981	1,302,394	29,587
Vocational	586,002	519,131	66,871
Adult/Continuing	4,814	3,683	1,131
Other	572,968	797,885	(224,917)
Support Services:			
Pupils	840,930	810,431	30,499
Instructional Staff	658,710	661,707	(2,997)
Board of Education	583,181	285,021	298,160
Administration	1,683,915	1,626,244	57,671
Fiscal	1,298,993	1,846,129	(547,136)
Business	0	6	(6)
Operation and Maintenance of Plant	1,676,541	1,641,849	34,692
Pupil Transportation	932,472	836,618	95,854
Central	40,647	30,051	10,596
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	432,919	400,690	32,229
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>18,608,978</b>	<b>18,520,964</b>	<b>88,014</b>
Excess of Revenues (Under) Expenditures	(1,074,010)	(731,420)	342,590
<b>Other Financing Sources (Uses)</b>			
Proceeds from Notes	0	0	0
Proceeds from Sale of Fixed Assets	59,120	59,120	0
Other Financing Sources	0	0	0
Other Financing Uses	(100,000)	0	100,000
Advances In	358,486	358,486	0
Advances Out	(250,000)	(2,851)	247,149
Operating Transfers In	0	0	0
Operating Transfers Out	(250,000)	(349,307)	(99,307)
<b>Total Other Financing Sources (Uses)</b>	<b>(182,394)</b>	<b>65,448</b>	<b>247,842</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,256,404)	(665,972)	590,432
Fund Balances (Deficits) at Beginning of Year	(53,783)	(53,783)	0
Prior Year Encumbrances Appropriated	983,002	983,002	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$ (327,185)</b>	<b>\$ 263,247</b>	<b>\$ 590,432</b>

See accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 1,220,033	\$ 1,220,033	\$ 0
1,023,000	681,870	(341,130)	110,438	110,438	0
0	0	0	0	0	0
0	0	0	0	0	0
188,500	167,252	(21,248)	0	0	0
0	0	0	0	0	0
25,000	51,292	26,292	0	0	0
<u>1,236,500</u>	<u>900,414</u>	<u>(336,086)</u>	<u>1,330,471</u>	<u>1,330,471</u>	<u>0</u>
412,569	285,340	127,229	0	0	0
327,803	324,591	3,212	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,000	5,833	(3,833)	0	0	0
44,939	29,825	15,114	0	0	0
8,000	7,629	371	0	0	0
276,268	237,386	38,882	0	0	0
6,500	6,380	120	12,500	21,999	(9,499)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
19,024	69,250	(50,226)	0	0	0
239,354	292,254	(52,900)	0	0	0
0	0	0	0	0	0
0	0	0	17,021,000	17,021,000	0
0	0	0	1,325,999	1,324,323	1,676
<u>1,336,457</u>	<u>1,258,488</u>	<u>77,969</u>	<u>18,359,499</u>	<u>18,367,322</u>	<u>(7,823)</u>
<u>(99,957)</u>	<u>(358,074)</u>	<u>(258,117)</u>	<u>(17,029,028)</u>	<u>(17,036,851)</u>	<u>(7,823)</u>
0	0	0	17,029,030	0	(17,029,030)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	2,819	2,819	0	0	0
(230,000)	(358,190)	(128,190)	0	0	0
36,500	124,825	88,325	0	106,914	106,914
0	0	0	0	0	0
<u>(193,500)</u>	<u>(230,546)</u>	<u>(37,046)</u>	<u>17,029,030</u>	<u>106,914</u>	<u>(16,922,116)</u>
(293,457)	(588,620)	(295,163)	2	(16,929,937)	(16,929,939)
184,254	184,254	0	16,929,937	16,929,937	0
50,468	50,468	0	0	0	0
<u>\$ (58,735)</u>	<u>\$ (353,898)</u>	<u>\$ (295,163)</u>	<u>\$ 16,929,939</u>	<u>\$ 0</u>	<u>\$ (16,929,939)</u>

(Continued)

**HAMILTON LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*  
**All Governmental Fund Types and Expendable Trust Fund (Continued)**  
For the Year Ended June 30, 2002

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 411,781	\$ 422,006	\$ 10,225
Intergovernmental	194,970	119,290	(75,680)
Earnings on Investments	0	523,180	523,180
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>606,751</b>	<b>1,064,476</b>	<b>457,725</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	24,652	(24,652)
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	3,500	5,331	(1,831)
Business	0	0	0
Operation and Maintenance of Plant	371,500	94,441	277,059
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	16,610,244	11,611,339	4,998,905
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>16,985,244</b>	<b>11,735,763</b>	<b>5,249,481</b>
Excess of Revenues (Under) Expenditures	(16,378,493)	(10,671,287)	5,707,206
<b>Other Financing Sources (Uses)</b>			
Proceeds from Notes	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Other Financing Sources	0	5,068	5,068
Other Financing Uses	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>5,068</b>	<b>5,068</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(16,378,493)	(10,666,219)	5,712,274
Fund Balances (Deficits) at Beginning of Year	16,432,662	16,432,662	0
Prior Year Encumbrances Appropriated	71,528	71,528	0
<b>Fund Balances (Deficits) at End of Year</b>	<b>\$ 125,697</b>	<b>\$ 5,837,971</b>	<b>\$ 5,712,274</b>

See accompanying Notes to the General Purpose Financial Statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 8,476,016	\$ 8,486,241	\$ 10,225
0	0	0	11,712,865	11,573,155	(139,710)
0	0	0	220,856	721,013	500,157
0	0	0	48,135	48,135	0
0	0	0	188,500	167,252	(21,248)
0	0	0	16,125	16,125	0
20,000	42,998	22,998	66,193	115,982	49,789
20,000	42,998	22,998	20,728,690	21,127,903	399,213
0	0	0	8,377,474	8,069,117	308,357
0	0	0	1,659,784	1,626,985	32,799
0	0	0	586,002	519,131	66,871
0	0	0	4,814	3,683	1,131
0	0	0	572,968	797,885	(224,917)
0	0	0	842,930	816,264	26,666
0	0	0	703,649	691,532	12,117
0	0	0	591,181	292,650	298,531
50,000	48,572	1,428	2,010,183	1,912,202	97,981
0	0	0	1,321,493	1,879,839	(558,346)
0	0	0	0	6	(6)
0	0	0	2,048,041	1,736,290	311,751
0	0	0	932,472	836,618	95,854
0	0	0	40,647	30,051	10,596
0	0	0	19,024	69,250	(50,226)
0	0	0	672,273	692,944	(20,671)
0	0	0	16,610,244	11,611,339	4,998,905
0	0	0	17,021,000	17,021,000	0
0	0	0	1,325,999	1,324,323	1,676
50,000	48,572	1,428	55,340,178	49,931,109	5,409,069
(30,000)	(5,574)	24,426	(34,611,488)	(28,803,206)	5,808,282
0	0	0	17,029,030	0	(17,029,030)
0	0	0	59,120	59,120	0
0	0	0	0	5,068	5,068
0	0	0	(100,000)	0	100,000
0	0	0	358,486	361,305	2,819
0	0	0	(480,000)	(361,041)	118,959
0	0	0	36,500	231,739	195,239
0	0	0	(250,000)	(349,307)	(99,307)
0	0	0	16,653,136	(53,116)	(16,706,252)
(30,000)	(5,574)	24,426	(17,958,352)	(28,856,322)	(10,897,970)
28,417	28,417	0	33,521,487	33,521,487	0
2,618	2,618	0	1,107,616	1,107,616	0
\$ 1,035	\$ 25,461	\$ 24,426	\$ 16,670,751	\$ 5,772,781	\$ (10,897,970)

**HAMILTON LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenses and Changes in Retained Earnings*

**All Proprietary Fund Types**

For the Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><u>Operating Revenues</u></b>			
Food Service Sales	\$ 455,524	\$ 0	\$ 455,524
Charges for Services	0	43,996	43,996
Materials and Fees	526	0	526
<b>Total Operating Revenues</b>	<u>456,050</u>	<u>43,996</u>	<u>500,046</u>
<b><u>Operating Expenses</u></b>			
Salaries	298,992	0	298,992
Fringe Benefits	150,219	0	150,219
Purchased Services	3,167	145,973	149,140
Materials and Supplies	449,982	0	449,982
Depreciation	583	0	583
<b>Total Operating Expenses</b>	<u>902,943</u>	<u>145,973</u>	<u>1,048,916</u>
Operating Loss	(446,893)	(101,977)	(548,870)
<b><u>Nonoperating Revenues and Expenses</u></b>			
Donated Commodities	91,350	0	91,350
Operating Grants	235,931	0	235,931
Loss on Disposal of Fixed Assets	(302)	0	(302)
<b>Total Nonoperating Revenues and Expenses</b>	<u>326,979</u>	<u>0</u>	<u>326,979</u>
Net Loss Before Operating Transfers	(119,914)	(101,977)	(221,891)
Operating Transfers In	311,228	0	311,228
Net Income (Loss)	<u>191,314</u>	<u>(101,977)</u>	<u>89,337</u>
Retained Earnings (Deficits) at Beginning of Year Restated (See Note 3)	<u>(187,743)</u>	<u>468,224</u>	<u>280,481</u>
<b>Retained Earnings at End of Year</b>	<u>\$ 3,571</u>	<u>\$ 366,247</u>	<u>\$ 369,818</u>

See accompanying Notes to the General Purpose Financial Statements.



## HAMILTON LOCAL SCHOOL DISTRICT

### Combined Statement of Cash Flows

#### All Proprietary Fund Types

For the Year Ended June 30, 2002

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 456,050	\$ 0	\$ 456,050
Cash Received from Other Sources	0	43,996	43,996
Cash Paid to Employees	(460,195)	0	(460,195)
Cash Paid for Goods and Services	(349,087)	(145,311)	(494,398)
<b>Net Cash Used in Operating Activities</b>	<b>(353,232)</b>	<b>(101,315)</b>	<b>(454,547)</b>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>			
Operating Grants	231,270	0	231,270
Operating Transfers In	127,641	0	127,641
Advances Out	(296)	0	(296)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>358,615</b>	<b>0</b>	<b>358,615</b>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(4,782)	0	(4,782)
Net Increase (Decrease) in Cash and Cash Equivalents	601	(101,315)	(100,714)
Cash and Cash Equivalents at Beginning of Year	0	468,224	468,224
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 601</b>	<b>\$ 366,909</b>	<b>\$ 367,510</b>
<b><u>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</u></b>			
Operating Loss	\$ (446,893)	\$ (101,977)	\$ (548,870)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>			
Depreciation	583	0	583
Non-cash Donated Commodities	91,350	0	91,350
Change in Assets and Liabilities			
(Increase) in Materials and Supplies Inventory	(1,033)	0	(1,033)
(Increase) in Due From Other Funds	(6,548)	0	(6,548)
Increase in Accounts Payable	21	662	683
(Decrease) in Accrued Wages and Benefits	(22,973)	0	(22,973)
Increase in Compensated Absences Payable	8,451	0	8,451
(Decrease) in Intergovernmental Payable	(75)	0	(75)
Increase in Deferred Revenue	13,724	0	13,724
Increase in Due to Other Funds	10,161	0	10,161
<b>Total Adjustments</b>	<b>93,661</b>	<b>662</b>	<b>94,323</b>
<b>Net Cash Used in Operating Activities</b>	<b>\$ (353,232)</b>	<b>\$ (101,315)</b>	<b>\$ (454,547)</b>

See accompanying Notes to the General Purpose Financial Statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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

The Hamilton Local School District (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 October 1, 2001, was 2,780. The District employed 226 certified employees and 85 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 acquisitions 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 general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is involved with the Metropolitan Educational Council (MEC), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 17.

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation – Fund Accounting**

The District used funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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 current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or for major capital projects, that are legally restricted to expenditure for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities, other than those financed by proprietary funds.

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

Fiduciary Fund Type

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 governments, or other funds. The following are the District's fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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 current assets.

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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (see Note 7). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than the agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Budgetary modifications may only be made by resolution of the Board of Education. Budgetary statements are not presented for proprietary funds.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the Official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported in the budgetary statements do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures must be passed on or before July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among funds may be modified during the year by a resolution of the Board of Education. Supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the budgetary statements represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

**D. Cash, Cash Equivalents, and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to repurchase agreements, certificates of deposit, treasury notes, federal agency securities and banker's acceptances. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earning.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchased agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

For purposes of the combined statement of cash flows and for presentation on the combined 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.

**E. Receivables**

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

**F. Interfund Assets and Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" and "due to other funds".

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are valued at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**H. Fixed Assets and Depreciation**

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair market value at the date of donation. The District maintains a capitalization threshold of \$300. The District does not possess any infrastructure.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and specific termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as liabilities of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**K. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees projected to be eligible were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and they are not contingent on a specific event that is outside the control of the employer and employee; and 2) 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.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**L. Fund Balance Reserves**

District records reservations for portions of fund equity which are legally segregated for specific future use or which does not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements:

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allowance

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Non-Reimbursable Grants:

Special Revenue Funds

Education Management Information Systems

Title I

EHA Preschool Handicapped Grant

Title VI

Title VI-B

Title VI-R

Data Communications

SchoolNet Professional Development

Technology Preparation

Drug-Free Schools Grant

Ohio Reads

Eisenhower Grant

Capital Projects Funds

SchoolNet Grant

Technology Equity

Reimbursable Grants:

General Fund

Driver Education

Telecommunications Act Grant

Vocational Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 54% of the District's operating revenue during the 2002 fiscal year.

**N. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**O. Memorandum Only -Total Columns**

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 3 - PRIOR PERIOD ADJUSTMENTS**

In the prior year, interest receivable of \$321,942 was incorrectly reported in the General Fund, rather than the Capital Projects Fund. Accrued wages and benefits were understated in the General Fund and Enterprise Funds by \$798,631 and \$26,590, respectively. In addition, the \$16,606,000 bond anticipation note payable was incorrectly reported as a fund liability in the Capital Projects Fund, rather than a long-term liability in the General Long-Term Obligations Account Group. To correct for these errors, the beginning balances have been restated as follows:

	Previously Stated Balance		Restated Balance
	<u>06/30/01</u>	<u>Adjustments</u>	<u>07/01/01</u>
General Fund	\$ 2,394,768	\$ (1,120,573)	\$ 1,274,195
Capital Projects Fund	(188,322)	16,927,942	16,739,620
Enterprise Fund	(161,153)	(26,590)	(187,743)

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

The following funds had deficit fund balances as of June 30, 2002:

	Deficit <u>Fund Balance</u>
General Fund	\$ 126,373
Special Revenue Funds:	
District Managed Activities	202
Title VI-B Grant	196,745
Title I Grant	313,433
Drug-Free Schools Grant	8,123
Title VI-R Grant	15,927

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit fund balances, however, this is done when cash is needed rather than when accruals occur. However, a few of these Special Revenue Funds also had deficit cash balances at year-end as well.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (continued)**

**B. Legal Compliance**

Pursuant to Section 117.11(A) of the Revised Code, independent auditors performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

The following funds had estimated resources in excess of actual receipts for the fiscal year ended June 30, 2002:

	<u>Estimated Resources</u>	<u>Actual Receipts</u>	<u>Excess</u>
Special Revenue Funds:			
State Project Funds	\$ 355,000	\$ 78,348	\$ (276,652)
Federal Project Funds	815,000	589,811	(225,189)
Debt Service Fund	18,359,501	1,330,471	(17,029,030)
Enterprise Fund:			
Food Service	775,500	687,319	(88,181)

The following funds had expenditures plus encumbrances in excess of appropriations at the fund level, which is the legal level of budgetary control adopted by the Board:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Special Revenue Funds:			
District Managed Activities	\$ 260,000	\$ 364,004	\$ 104,004
School Net Professional Development	5,745	8,251	2,506
Ohio Reads Grant	2,000	4,000	2,000
Chapter II Grant	230,000	288,119	58,119
Goals 2000 Grant	26,194	47,509	21,315
Title VI-R Grant	47,794	125,277	77,483
Debt Service Fund	18,359,499	18,367,322	7,823

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types and Expendable Trust Funds” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and GAAP basis are that:

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)**

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Funds				
	Governmental Fund Types				Expendable Trust
	General	Special Revenue	Debt Service	Capital Projects	
GAAP Basis	\$ (1,400,568)	\$ 290,892	\$ (16,894,867)	\$ (1,252,299)	\$ (3,574)
Revenue Accruals	(207,516)	35,398	(35,070)	164,221	0
Expenditure Accruals	1,408,116	(852,968)	0	460,882	0
Encumbrances	(466,004)	(61,942)	0	(10,039,023)	(2,000)
Budgetary Basis	<u>\$ (665,972)</u>	<u>\$ (588,620)</u>	<u>\$ (16,929,937)</u>	<u>\$ (10,666,219)</u>	<u>\$ (5,574)</u>

**NOTE 6 - 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 6 – DEPOSITS AND INVESTMENTS (continued)**

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 company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (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;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 6 – DEPOSITS AND INVESTMENTS (continued)**

**Deposits:** At year-end, the carrying amount of the District's deposits was \$1,331,970, which includes \$659 cash on hand, and the bank balance was \$2,002,209. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance Corporation (FDIC); and
2. \$1,902,209 was uninsured and uncollateralized. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Federal Agency Securities	\$ 7,977,149	\$ 7,977,149	\$ 7,977,149
Repurchase Agreement	639,000	639,000	639,000
STAROhio		7,257,036	7,257,036
		\$ 15,873,185	\$ 15,873,185

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 14,642,618	\$ 2,562,537
Investments which are part of cash management pool:		
Federal Agency Securities	(5,414,612)	5,414,612
Repurchase Agreement	(639,000)	639,000
STAROhio	(7,257,036)	7,257,036
GASB Statement No. 3	\$ 1,331,970	\$ 15,873,185

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. 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. Property tax revenue received during calendar year 2002 for real and public utility property taxes represents collections of calendar year 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) is for calendar year 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien on December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed value upon which the fiscal year 2002 taxes were collected are:

	<u>2001 Second - Half Collections</u>		<u>2002 First - Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property - Agricultural / Residential	\$ 105,803,740	47.10%	\$ 109,811,620	47.62%
Real Property - Commercial / Industrial	56,672,600	25.23%	58,941,440	25.56%
Real Property - Public Utilities	137,320	0.06%	117,250	0.05%
Personal Property - General	49,161,124	21.89%	49,184,440	21.33%
Personal Property - Public Utilities	<u>12,837,110</u>	<u>5.72%</u>	<u>12,546,530</u>	<u>5.44%</u>
Total Assessed Values	<u>\$ 224,611,894</u>	<u>100.00%</u>	<u>\$ 230,601,280</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 47.09		\$ 49.91

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 District receives property taxes from Franklin County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 7 - PROPERTY TAXES (continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied 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, 2002 was \$1,040,798.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (rent, billings for user charged services, and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Data Communications	\$ 1,000
SchoolNet Professional Development	3,450
Title VI-B Grant	180,155
Title I Grant	267,308
Drug-Free Schools Grant	7,685
Title VI-R Grant	50,724
Enterprise Fund:	
National School Lunch Program	<u>30,282</u>
	<u>\$ 540,604</u>

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 236,105
Less: Accumulated Depreciation	<u>(172,452)</u>
Net Fixed Assets	<u>\$ 63,653</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 9 - FIXED ASSETS (continued)**

A summary of changes in general fixed assets during fiscal year 2002 follows:

	Balance <u>06/30/01</u>	Additions	Deletions	Balance <u>06/30/02</u>
Land and Buildings	\$ 6,348,774	\$ 0	\$ 0	\$ 6,348,774
Improvements	309,618	1,155	0	310,773
Furniture and Equipment	6,150,793	595,204	(351,619)	6,394,378
Vehicles	1,249,434	95,385	0	1,344,819
Construction in Progress	<u>0</u>	<u>1,488,606</u>	<u>0</u>	<u>1,488,606</u>
	<u>\$ 14,058,619</u>	<u>\$ 2,180,350</u>	<u>\$ (351,619)</u>	<u>\$ 15,887,350</u>

**NOTE 10 – CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the District had contractual commitments related to the construction of a new intermediate school building:

		Contractual <u>Commitment</u>	Expended	Balance <u>06/30/02</u>
Fanning/Howie Associates, Inc.	Architect / Engineering	\$ 720,000	\$ 588,960	\$ 131,040
Continental Building Systems	General Construction	6,086,935	406,739	5,680,196
Romanoff Electric	Electrical	1,283,862	0	1,283,862
L.T.M. Plumbing & HVAC Co., Inc.	Plumbing	452,397	0	452,397
S.A. Comunale Co., Inc.	Fire Protection	152,500	0	152,500
Fox Mechanical Co., Inc.	HVAC	1,498,000	27,416	1,470,584
Custom Fabricators, Inc.	Education Casework	304,900	0	304,900
Louis R. Polster Co.	Food Service	308,392	0	308,392
George J. Ingel & Co., Inc.	Water and Sewer Lines	<u>3,033,444</u>	<u>0</u>	<u>3,033,444</u>
		<u>\$ 13,840,430</u>	<u>\$ 1,023,115</u>	<u>\$ 12,817,315</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$321,672, \$324,912 and \$288,852, respectively; 50% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$159,216, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,396,740, \$1,209,600 and \$1,176,408, respectively; 81.9% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$263,980, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$448,952 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$237,678 during the 2002 fiscal year.

**NOTE 13 - COMPENSATED ABSENCES**

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

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

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Classified employees must have been employed by the District for a minimum of five consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty six days, plus one day for each year in which no more than three days of sick leave are used.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 14 – 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 \$5,000,000 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. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

The District provides life insurance and accidental death and dismemberment insurance to its employees through the Anthem Life Insurance Company. The District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield, and dental through Core Source, Inc., all fully funded programs.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2002 were as follows:

	Restated Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
General Obligation Bonds Payable:				
1990 School Improvement Bond, 5.75%, maturing December 2005	\$ 500,000	\$ 0	\$ (100,000)	\$ 400,000
1996 School Improvement Bond, 5.75%, maturing June 2007	800,000	0	(115,000)	685,000
2001 Construction Bond, 5.16%, maturing December 2028	<u>16,606,000</u>	<u>0</u>	<u>(200,000)</u>	<u>16,406,000</u>
Total General Obligation Bonds Payable	17,906,000	0	(415,000)	17,491,000
Note Payable, 4.75%, maturing July 2001	16,606,000	0	(16,606,000)	0
Intergovernmental Payable	127,825	90,453	(127,825)	90,453
Compensated Absences Payable	<u>876,149</u>	<u>0</u>	<u>(119,497)</u>	<u>756,652</u>
	<u>\$ 35,515,974</u>	<u>\$ 90,453</u>	<u>\$ (17,268,322)</u>	<u>\$ 18,338,105</u>

The outstanding general obligation bonds relate to projects, for which bonds were issued, for the purpose of constructing, improving and equipping schools and improving the site thereof. 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's overall legal debt margin available was \$4,674,624, with an unvoted debt margin of \$246,285 at June 30, 2002.

The annual requirement to amortize all bonds outstanding as of June 30, 2002 are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2003	\$ 620,000	\$ 803,103	\$ 1,423,103
	2004	635,000	775,936	1,410,936
	2005	655,000	747,352	1,402,352
	2006	680,000	717,195	1,397,195
	2007	600,000	689,035	1,289,035
	Thereafter	<u>14,301,000</u>	<u>10,540,558</u>	<u>24,841,558</u>
		<u>\$ 17,491,000</u>	<u>\$ 14,273,179</u>	<u>\$ 31,764,179</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 16 - INTERFUND ACTIVITY**

**A. Interfund Transactions**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 508,462	\$ 0	\$ 204,332	\$ 161,292
Special Revenue Funds:				
Principals Support Fund	0	3,946	0	0
Title VI-B Grant	0	165,901	3,241	2,856
Title I Grant	0	311,617	3,288	2,898
Drug-Free Schools Grant	0	2,078	0	0
Title VI-R Grant	0	10,509	632	557
Enterprise Funds:				
Food Service	0	0	6,548	18,758
Agency Funds:				
District Agency Fund	0	0	186,361	218,041
Student Managed Activities	<u>0</u>	<u>14,411</u>	<u>0</u>	<u>0</u>
	<u>\$ 508,462</u>	<u>\$ 508,462</u>	<u>\$ 404,402</u>	<u>\$ 404,402</u>

**B. Reconciliation of Interfund Advances and Transfers (Non-GAAP Budgetary Basis)**

	<u>Advances In</u>	<u>Advances Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 358,486	\$ 2,851	\$ 0	\$ 349,307
Special Revenue Funds:				
Principals Support Fund	2,819	0	0	0
District Managed Activities	0	0	124,825	0
Title VI-B Grant	0	25,856	0	0
Chapter 2 Grant	0	288,119	0	0
Title VI-R Grant	0	44,215	0	0
Debt Service Fund	0	0	106,914	0
Enterprise Funds:				
Food Service	0	0	127,641	0
Uniform School Supplies	0	296	0	0
Agency Fund:				
Student Managed Activities	<u>32</u>	<u>0</u>	<u>0</u>	<u>10,073</u>
	<u>\$ 361,337</u>	<u>\$ 361,337</u>	<u>\$ 359,380</u>	<u>\$ 359,380</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 16 - INTERFUND ACTIVITY (continued)**

**C. Reconciliation of Interfund Transfers (GAAP Basis)**

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 1,222,013
Special Revenue Funds:		
Principals Support Fund	0	0
District Managed Activities	287,261	0
Textbook/Instructional Materials Subsidy	24,504	0
Title VI-B Grant	115,992	0
Title I Grant	256,103	0
Title VI-R Grant	0	0
Debt Service Fund	106,914	0
Capital Projects Funds:		
Permanent Improvement	52,990	0
SchoolNet	33,633	0
Emergency School Building Repair Program	43,461	0
Enterprise Funds:		
Food Service	298,813	0
Uniform School Supplies	12,415	0
Agency Fund:		
Student Managed Activities	0	10,073
	\$ 1,232,086	\$ 1,232,086

GAAP basis transfers differ from budgetary basis transfers due to the fact that \$872,706 of outstanding advances from prior years were reclassified as permanent transfers (GAAP basis), as it was determined that they would not be repaid.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATION**

Metropolitan Educational Council (MEC) - MEC 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. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 18 - 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 purchase of textbooks and other instructional materials and an equal amount 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 textbooks, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2001	\$ 129,464	\$ 0	\$ 469,593	\$ 599,057
Current year set-aside requirements	329,893	329,893	0	659,786
Current year offsets	0	(422,006)	0	(422,006)
Reduction authorized by legislative restrictions	0	0	(391,950)	(391,950)
Qualifying disbursements	<u>(955,569)</u>	<u>(298,148)</u>	<u>(77,643)</u>	<u>(1,331,360)</u>
	<u>\$ (496,212)</u>	<u>\$ (390,261)</u>	<u>\$ 0</u>	<u>\$ (886,473)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ (496,212)</u>	<u>\$ 0</u>	<u>\$ 0</u>	
Set-aside reserved balance as of June 30, 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	

The District had offsets and qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set-aside amounts below zero. This extra amount for textbooks may be used to reduce the set-aside requirements of future fiscal years. The extra amount for capital acquisitions may not be used to reduce set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002 follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 455,524	\$ 526	\$ 456,050
Operating expenses,			
less depreciation	902,360	0	902,360
Depreciation expense	583	0	583
Operating income (loss)	(447,419)	526	(446,893)
Donated commodities	91,350	0	91,350
Operating grants	235,931	0	235,931
Loss on disposal of fixed assets	(302)	0	(302)
Transfers in	298,813	12,415	311,228
Net income	178,373	12,941	191,314
Net working capital	(30,084)	230	(29,854)
Total assets	125,183	230	125,413
Total equity	3,341	230	3,571

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**B. Litigation**

Terrence Bacus v. Hamilton Local School District Board of Education  
Franklin County Court of Common Pleas

This matter involves an action brought by Plaintiff, Terrence Bacus, against his former employer, the Hamilton Local School District Board of Education ("Board") and the individual members of the Board. The action claims breach of contract, fraud in the inducement and defamation and seeks compensatory damages in the amount of \$100,000 against the Board and \$250,000 against the individual defendants and punitive damages in the amount of \$250,000 against the individual defendants.

Currently, Defendants are awaiting responses to the interrogatories, request for production and request for admissions served upon Plaintiff. Discovery is expected to continue with depositions and may result in the filing of dispositive motions. Trial is presently scheduled for January 2003.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

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**NOTE 21 - SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2002

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$28,564	\$28,564
National School Lunch Program	04-PU	10.555	176,813	176,813
			<u>205,377</u>	<u>205,377</u>
Child Care Breakfast Program	05-PU	10.558	13,102	13,102
<b>Total U.S. Department of Agriculture</b>			<u>218,479</u>	<u>218,479</u>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1	84.010	273,944	496,966
Special Education - Grants to States (IDEA Part B)	6B-SF	84.027	168,783	380,312
Chapter II Improvement and Consolidation Act	C2-S1	84.151	4,053	0
Safe and Drug-Free Schools and Communities	DR-S1	84.186	10,829	12,264
Goals 2000 - Education Improvement Grant	G2-S1	84.276	10,000	24,000
Eisenhower Professional Development Grant	MS-S1	84.281	13,887	1,575
Class Size Reduction	CR-S1	84.340	60,138	87,955
<b>Total U.S. Department of Education</b>			<u>541,634</u>	<u>1,003,072</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$760,113</u></u>	<u><u>\$1,221,551</u></u>

**Note 1 - Noncash Federal Financial Assistance**

During the year ended June 30, 2002, the District received \$91,350 and used \$92,650 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2002 the District had no significant food commodities inventory.

**Note 2 - Significant Accounting Policies**

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Board of Education  
Hamilton Local School District  
4999 Lockbourne Road  
Columbus, Ohio 43207

We have audited the financial statements of the Hamilton Local School District (the District), as of and for the year ended June 30, 2002 and have issued our report thereon dated December 23, 2002. We conducted our audit 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.

**Compliance**

As part of obtaining reasonable assurance about 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 grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education  
Hamilton Local School District  
Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002

**Report on Compliance with Requirements Applicable to Each Major  
Program and Internal Control over Compliance in Accordance with  
OMB Circular A-133**

Board of Education  
Hamilton Local School District  
4999 Lockbourne Road  
Columbus, Ohio 43207

**Compliance**

We have audited the compliance of Hamilton Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education  
Hamilton Local School District  
Report on Compliance with Requirements Applicable to Each Major  
Program and Internal Control over Compliance in Accordance with  
OMB Circular A -133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*J. L. Uhrig and Associates, Inc.*  
J. L. UHRIG AND ASSOCIATES, INC.

December 23, 2002



**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2002

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

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	Yes
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	No
<b>9. Major Programs (list):</b>	Title I - Grants to Local Educational Agencies CFDA #84.010
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	2002-001
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Ohio Revised Code Section 5705.36 allows an increase or reduction to be made in the estimated resources upon determination that revenue collected will be greater or less than the amount in the certificate of estimated resources.

The District had several funds with estimated resources that were greater than the actual amounts received during the year. Since the District did not advance funds to cover the deficiencies in fund, the District appropriated and expended more than the actual amounts available to spend in these funds.

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2002

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

<i>Finding Number</i>	2002-001 (Continued)
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The District must closely monitor the receipts of each fund and when it is determined that receipts will fall short of estimates, an amended certificate should be filed to reduce the estimated resources and appropriations, or an advance should be made to prevent a fund from being overspent.

<i>Finding Number</i>	2002-002
-----------------------	----------

Ohio Revised Code Section 5705.40 states that no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Additionally, Ohio Revised Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The District had expenditures that exceeded the appropriations at the fund level in several funds. This situation can lead to the District expending more than is actually available to spend in a fund.

The District must closely monitor each fund to determine that sufficient appropriations exist before any expenditures or encumbrances are made.

<i>Finding Number</i>	2002-003
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Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

The existence of a deficit cash fund balance in any fund indicates that money from another fund(s) has been used to pay obligations of the fund(s) carrying the deficit balances. As of June 30, 2002, the District had a few funds with negative cash fund balances.

The District must closely monitor the activity of each fund and not allow any fund to be overspent. If necessary, transfers or advances should be made from the General Fund to cover any deficiency.

**C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Prior Audit Findings  
For the Year Ended June 30, 2002

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<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b><i>Government Auditing Standards:</i></b>		
1. ORC 5705.36 - reserve balance accounts are to be excluded from amount of unencumbered balances.	Corrected	N/A
2. ORC 5705.36 - obtaining an amended certificate to reduce estimated resources to actual revenues.	Not fully corrected	The Treasurer will monitor this situation more closely.
3. ORC 5705.40 - appropriations may not be reduced to a level below an amount sufficient to cover all expenditures and outstanding obligations.	Not fully corrected	The Treasurer will monitor this situation more closely.
4. ORC 5705.41(B) - money is not to be spent unless it has been appropriated.	Not fully corrected	The Treasurer will monitor this situation more closely.
5. ORC 5705.10 - money paid into a fund shall be used for the purposes for which said fund was established (i.e. - deficit cash fund balances).	Not fully Corrected	The Treasurer will monitor this situation more closely.





**Auditor of State  
Betty Montgomery**

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**HAMILTON LOCAL SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**