

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2008

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountant's Report* of the Hamilton Local School District, Franklin County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 26, 2009

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HAMILTON LOCAL SCHOOL DISTRICT

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Independent Accountant's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did audit the financial statements of the Hamilton Local Digital Academy, the discretely presented component unit.

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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund 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 January 15, 2009 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 agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 in assessing the results of our audit.

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

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

January 15, 2009

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

As management of the Hamilton Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$55 million (net assets). Of this amount, \$2.5 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$7.8 million. The majority of this increase (\$6.6 million) is attributable to grant proceeds from the Ohio School Facilities Commission.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$19.6 million, a decrease of \$11.6 million, or 37%, in comparison with the prior year. Of this total amount, \$6.1 million is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Governmental Funds

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

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

The District maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, construction fund, and debt service fund, each of which are considered major funds. Data from the other 25 governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds

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

Fiduciary Funds

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

The basic fiduciary fund financial statement can be found on page 20 of this report.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 21 of this report.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$55 million at the close of the most recent fiscal year.

	District Net Assets	
	Governmental Activities	
	2008	Restated 2007
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 32,313,473	\$ 45,996,750
Capital Assets	61,492,784	42,403,615
Total Assets	<u>93,806,257</u>	<u>88,400,365</u>
Current Liabilities	11,158,014	12,873,977
Long-Term Liabilities	27,623,244	28,159,009
Total Liabilities	<u>38,781,258</u>	<u>41,032,986</u>
Net Assets:		
Invested in Capital Assets, net of related debt	36,498,224	16,194,871
Restricted	15,986,627	28,068,806
Unrestricted	2,540,148	2,965,704
Total Net Assets	<u>\$ 55,024,999</u>	<u>\$ 47,229,381</u>

A significant portion of the District's net assets (\$36.5 million) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (\$16 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2.5 million) may be used to meet the District's ongoing obligations to citizens and creditors.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Key elements of the District's net asset increase are as follows:

Changes in Net Assets Governmental Activities		
	2008	Restated 2007
Revenues:		
Program Revenues		
Charges for Services	\$ 890,461	\$ 802,007
Operating Grants	2,758,751	2,292,814
Capital Grants and Contributions	-	875,000
Total Program Revenues	3,649,212	3,969,821
General Revenues		
Property Taxes	7,095,156	9,807,699
Grants and Entitlements	14,840,631	14,343,465
Payments in Lieu of Taxes	1,732,206	1,546,372
School Facilities Commission Grant	6,552,505	27,766,220
Investment Earnings	1,200,506	1,281,828
Donations	151,000	-
Other Revenue	247,152	283,301
Total General Revenue	31,819,156	55,028,885
Total Revenues	35,468,368	58,998,706
Expenses:		
Program Expenses		
Instruction	15,001,022	14,639,930
Support Services	8,982,119	8,864,196
Non-Instructional	1,318,693	1,138,767
Extra Curricular Activities	869,691	486,678
Interest and Fiscal Charges	1,266,303	1,295,372
Miscellaneous	234,922	24,605
Total Expenses	27,672,750	26,449,548
Changes in Net Assets	7,795,618	32,549,158
Net Assets at Beginning of Year	47,229,381	14,680,223
Net Assets at End of Year	\$ 55,024,999	\$ 47,229,381

The District's net assets increased by \$7.8 million during the current fiscal year. The majority of this increase (\$6.6 million) is attributable to grant proceeds from the Ohio School Facilities Commission. The remainder of this growth can be attributed to investment earnings.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

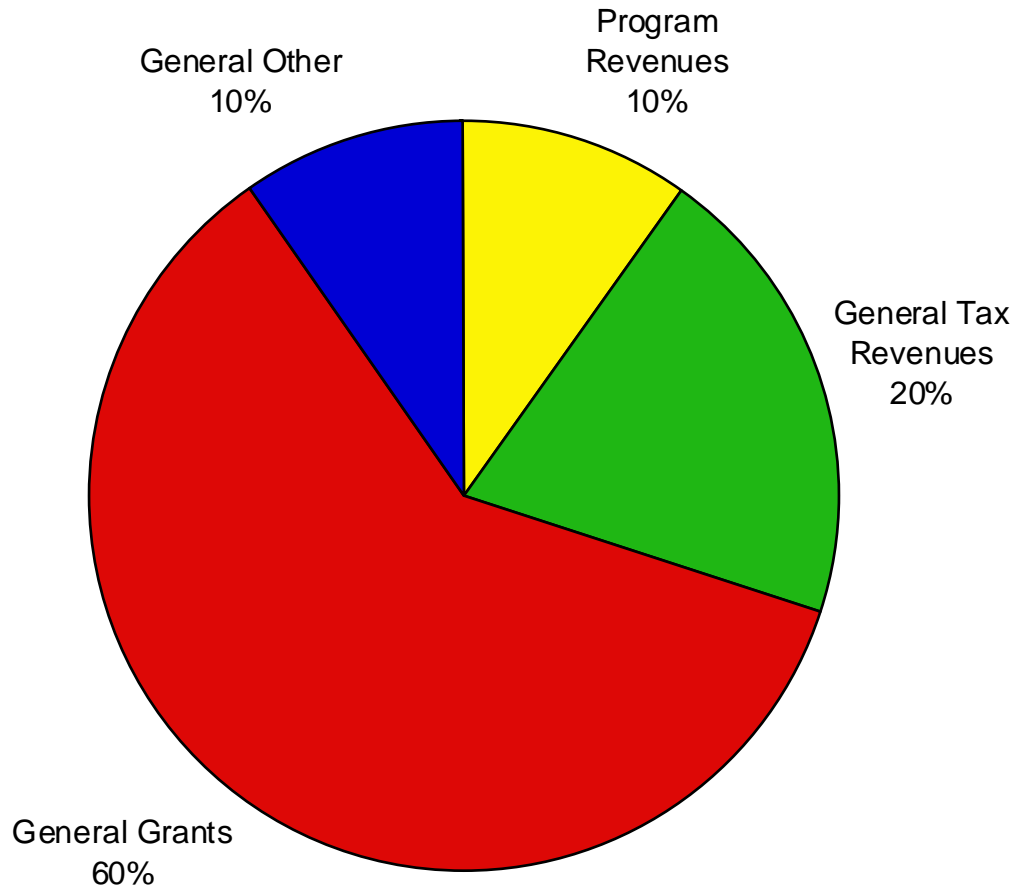
**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

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

	Total Cost of Services 2008	Net Cost of Services 2008	Restated Total Cost of Services 2007	Restated Net Cost of Services 2007
Program Expenses				
Instruction				
Regular	\$ 10,270,583	\$ 10,181,913	\$ 10,536,295	\$ 10,404,279
Special	2,631,345	1,751,477	2,176,224	1,449,408
Vocational	240,005	104,366	408,136	276,030
Other	1,859,089	1,640,449	1,519,275	1,324,526
Support Services				
Pupil	879,232	574,534	1,382,613	1,189,373
Instructional Staff	636,176	452,291	832,106	631,638
Board of Education	27,715	15,715	363,229	348,229
Administration	2,098,861	1,939,473	1,956,873	1,765,115
Fiscal Services	1,497,597	1,497,597	1,085,274	1,085,274
Business Operations	28,715	28,715	38,574	38,574
Maintenance	2,688,738	2,688,738	2,057,948	2,057,948
Pupil Transportation	1,079,515	1,052,395	1,088,743	1,068,580
Central	45,570	45,570	58,836	58,836
Noninstructional Activities	1,318,693	9,931	1,138,767	96,000
Extracurricular Activities	869,691	539,149	486,678	(634,059)
Interest and Fiscal Charges	1,266,303	1,266,303	1,295,372	1,295,372
Miscellaneous	234,922	234,922	24,605	24,605
Total Expense	<u>\$ 27,672,750</u>	<u>\$ 24,023,538</u>	<u>\$ 26,449,548</u>	<u>\$ 22,479,728</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 20% of total revenues from tax revenues and 60% from unrestricted grants. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$24.1 million of support, as well as the graph above, indicating general revenues comprise 90% of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$19.6 million, a decrease of \$11.6 million in comparison with the prior year. Of this amount, \$6.1 million constitutes unreserved fund balance, which is available for spending at the District's discretion. The remainder of fund balance not available for new spending because it has already been reserved to liquidate contracts and purchase orders of the prior period (\$11.0 million) or for a variety of other purposes (\$2.6 million).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Restated Fund Balance June 30, 2007	Increase (Decrease)
General Fund	\$ 4,316,972	\$ 3,798,207	\$ 518,765
Construction Fund	14,362,417	26,683,075	(12,320,658)
Debt Service Fund	1,165,857	778,098	387,759
Other Governmental Funds	(209,164)	(6,089)	(203,075)
Total	\$ 19,636,082	\$ 31,253,291	\$ (11,617,209)

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.3 million, while total fund balance was \$4.3 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unreserved fund balance represents 11% of total general fund expenditures and total fund balance represents 20% of that same amount.

The District's general fund balance increased by \$518,765 during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

General Fund Comparative Analysis

	2008 Amount	Restated 2007 Amount	Percentage Change
Revenues			
Property Taxes	\$ 5,061,298	\$ 7,500,152	-32.5%
Intergovernmental	16,327,968	15,683,468	4.1%
Interest	127,261	289,804	-56.1%
Tuition and Fees	52,899	116,299	-54.5%
Extracurricular	61,502	53,771	0.0%
Donations	81,000	-	100.0%
Other	234,889	234,916	0.0%
Total	<u>21,946,817</u>	<u>23,878,410</u>	
Expenditures			
Instruction	12,931,160	12,588,619	2.7%
Support Services	7,883,750	7,905,028	-0.3%
Noninstructional	83,140	-	100.0%
Extracurricular Activities	530,002	602,849	-12.1%
Total	<u>\$ 21,428,052</u>	<u>\$ 21,096,496</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>518,765</u>	<u>2,781,914</u>	

The significant decrease in property tax revenues is primarily the result of the phase out of the personal property tax coupled with a decrease in the net increase in property taxes available for advance. The significant decrease in interest earnings is the result of a diminished rate of return during fiscal year 2008.

General Fund Budget Information

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

The District's actual receipts exceeded final estimated receipts by \$473,760. The District's original appropriations were increased by \$1.1 million, or 5.2%, during the year, primarily as a result of year-end advances. The District's final appropriations exceeded actual budgetary expenditures by \$52,266 million.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Capital Assets

The District's investment in capital assets as of June 30, 2008 amounted to \$61.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current fiscal year were \$20.3 million and depreciation was \$1.0 million. Detailed information regarding capital asset activity is included in Note 7 to the basic financial statements.

Debt

At June 30, 2008, the District had \$26.9 million in outstanding bonds payable. The District paid \$640,000 in principal on bonds during the fiscal year. Detailed information regarding long-term debt is included in Note 12 to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At fiscal year-end, the District's general obligation debt was below the legal limit.

Restrictions and Other Limitations

A major challenge facing the District is the future of state funding. 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Contacting the District's Financial Management

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

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Primary Government Governmental Activities	Component Unit Hamilton Local Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 22,823,353	\$ 245,055
Receivables:		
Taxes	8,575,366	-
Accounts	11,443	-
Intergovernmental	534,053	13,245
Inventory Held for Resale	16,145	-
Deferred Bond Issuance Costs	353,113	-
Nondepreciable Capital Assets	15,135,970	-
Depreciable Capital Assets, Net	46,356,814	127,194
Total Assets	93,806,257	385,494
Liabilities		
Accounts Payable	2,817,956	8,560
Accrued Wages and Benefits	1,958,245	-
Intergovernmental Payable	1,456,007	-
Unearned Revenue	4,925,806	-
Long-Term Liabilities		
Due within One Year	924,006	-
Due in More Than One Year	26,699,238	-
Total Liabilities	38,781,258	8,560
Net Assets		
Invested in Capital Assets, Net of Related Debt	36,498,224	127,194
Restricted for:		
Debt Service	1,387,908	-
Capital Projects	14,537,735	-
Other Purposes	60,984	-
Unrestricted	2,540,148	249,740
Total Net Assets	\$ 55,024,999	\$ 376,934

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Hamilton Local Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 10,270,583	\$ 39,487	\$ 49,182	\$ (10,181,914)	\$ -
Special Instruction	2,631,432	6,046	873,824	(1,751,562)	-
Vocational Instruction	240,005	1,683	133,956	(104,366)	-
Other Instruction	1,859,089	5,683	212,957	(1,640,449)	-
Support Services					
Pupils	879,234	-	304,699	(574,535)	-
Instructional Staff	636,176	-	183,883	(452,293)	-
Board of Education	27,715	-	12,000	(15,715)	-
Administration	2,098,861	-	159,388	(1,939,473)	-
Fiscal Services	1,497,597	-	-	(1,497,597)	-
Business Operations	28,715	-	-	(28,715)	-
Maintenance	2,688,738	-	-	(2,688,738)	-
Pupil Transportation	1,079,515	-	27,120	(1,052,395)	-
Central	45,570	-	-	(45,570)	-
Non-instructional	1,318,693	512,838	795,924	(9,931)	-
Extra Curricular Activities	869,691	324,724	5,818	(539,149)	-
Interest and Fiscal Charges	1,266,303	-	-	(1,266,303)	-
Miscellaneous	234,833	-	-	(234,833)	-
Total Governmental Activities	\$ 27,672,750	\$ 890,461	\$ 2,758,751	\$ (24,023,538)	\$ -
Component Unit					
Hamilton Local Digital Academy	\$ 649,263	\$ -	\$ 17,080	\$ -	\$ (632,183)
Total Component Unit	\$ 649,263	\$ -	\$ 17,080	\$ -	\$ (632,183)
General Revenues					
Property Taxes Levied for:					
General Purposes				\$ 4,835,679	\$ -
Debt Service				1,872,096	-
Capital Projects				387,381	-
Grants & Entitlements not Restricted				14,840,631	714,135
Payment in Lieu of Taxes				1,732,206	-
School Facilities Commission Grant				6,552,505	-
Investment Earnings				1,200,506	4,729
Donations				151,000	-
Miscellaneous				247,152	-
Total General Revenues				31,819,156	718,864
Change in Net Assets				7,795,618	86,681
Net Assets Beginning of Year, Restated				47,229,381	290,253
Net Assets End of Year				\$ 55,024,999	\$ 376,934

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,682,825	\$ 16,972,224	\$ 615,037	\$ 553,267	\$ 22,823,353
Receivables:					
Taxes	6,330,741	-	1,831,770	412,855	8,575,366
Accounts	11,443	-	-	-	11,443
Intergovernmental	419,217	-	-	114,836	534,053
Inventory Held for Resale	-	-	-	16,145	16,145
Due From Other Funds	627,014	-	-	-	627,014
Total Assets	\$ 12,071,240	\$ 16,972,224	\$ 2,446,807	\$ 1,097,103	\$ 32,587,374
Liabilities:					
Accounts Payable	\$ 50,736	\$ 2,609,807	\$ -	\$ 157,413	\$ 2,817,956
Accrued Wages and Benefits	1,771,947	-	-	186,298	1,958,245
Intergovernmental Payable	1,409,173	-	-	46,834	1,456,007
Due to Other Funds	-	-	-	627,014	627,014
Deferred Revenue	4,427,062	-	1,280,950	288,708	5,996,720
Compensated Absences Payable	95,350	-	-	-	95,350
Total Liabilities	7,754,268	2,609,807	1,280,950	1,306,267	12,951,292
Fund Balances:					
Reserved					
Encumbrances	67,988	10,668,613	-	236,031	10,972,632
Supplies Inventory	-	-	-	16,145	16,145
Property Taxes	1,903,679	-	550,820	124,147	2,578,646
Unreserved, Reported in:					
General Fund	2,345,305	-	-	-	2,345,305
Special Revenue Funds	-	-	-	(554,095)	(554,095)
Debt Service Fund	-	-	615,037	-	615,037
Capital Project Funds	-	3,693,804	-	(31,392)	3,662,412
Total Fund Balances	4,316,972	14,362,417	1,165,857	(209,164)	19,636,082
Total Liabilities and Fund Balances	\$ 12,071,240	\$ 16,972,224	\$ 2,446,807	\$ 1,097,103	\$ 32,587,374

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total Governmental Fund Balances	\$ 19,636,082
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	61,492,784
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	1,070,914
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	Bonds Payable (26,927,680)
	Plus: Issuance Premium (270,644)
	Less: Deferred Charge on Refunding 243,780
	Less: Deferred Charge for Issuance Costs 353,113
	Compensated Absence Payable (573,350)
	<u>(27,174,781)</u>
Net Assets of Governmental Activities	<u><u>\$ 55,024,999</u></u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 5,061,298	\$ -	\$ 1,860,069	\$ 389,447	\$ 7,310,814
Intergovernmental	16,327,968	6,552,505	306,066	2,669,552	25,856,091
Charges for Services	-	-	-	512,459	512,459
Interest	127,261	1,073,040	-	205	1,200,506
Tuition and Fees	52,899	-	-	-	52,899
Extracurricular Activities	61,502	-	-	219,885	281,387
Rentals	45,000	-	-	-	45,000
Donations	81,000	-	-	139,318	220,318
Other	189,889	1,523	-	54,456	245,868
Total Revenues	<u>21,946,817</u>	<u>7,627,068</u>	<u>2,166,135</u>	<u>3,985,322</u>	<u>35,725,342</u>
Expenditures:					
Current:					
Instruction:					
Regular	9,287,724	-	-	767,898	10,055,622
Special	1,738,963	-	-	884,841	2,623,804
Vocational	249,253	-	-	-	249,253
Other	1,655,220	-	-	203,869	1,859,089
Support services:					
Pupils	551,484	-	-	326,884	878,368
Instructional Staff	386,555	-	-	206,329	592,884
Board of Education	28,951	-	-	-	28,951
Administration	1,867,531	-	-	219,701	2,087,232
Fiscal Services	1,498,525	-	-	-	1,498,525
Business Operations	-	-	25,576	3,139	28,715
Operation and Maintenance of Plant	2,500,429	-	-	177,163	2,677,592
Pupil Transportation	1,008,914	-	-	12,956	1,021,870
Central	41,361	-	-	-	41,361
Non-instructional Services	83,140	-	-	1,055,442	1,138,582
Extracurricular Activities	530,002	-	-	321,935	851,937
Capital Outlay	-	19,947,726	-	-	19,947,726
Debt service:					
Principal Retirement	-	-	640,000	-	640,000
Interest and Fiscal Charges	-	-	1,112,800	-	1,112,800
Total Expenditures	<u>21,428,052</u>	<u>19,947,726</u>	<u>1,778,376</u>	<u>4,180,157</u>	<u>47,334,311</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	518,765	(12,320,658)	387,759	(194,835)	(11,608,969)
Fund Balance Beginning of Year, Restated	3,798,207	26,683,075	778,098	(6,089)	31,253,291
Change in Inventory	-	-	-	(8,240)	(8,240)
Fund Balance End of Year	<u>\$ 4,316,972</u>	<u>\$ 14,362,417</u>	<u>\$ 1,165,857</u>	<u>\$ (209,164)</u>	<u>\$ 19,636,082</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (11,608,969)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. 19,324,002

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations). (234,833)

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

Property Taxes (215,658)
Intergovernmental (41,314)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Repayments 640,000

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

Compensated Absences 94,135
Amortization of Deferred Charge on Refunding (69,652)
Amortization of Bond Issuance Costs (15,389)
Amortization of Bond Premium 10,662
Accretion of Capital Appreciation Bonds (79,126)
Change in Inventory (8,240)

Change in Net Assets of Governmental Activities \$ 7,795,618

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
Revenues:				
Property Taxes	\$ 6,584,792	\$ 6,584,792	5,668,091	\$ (916,701)
Tuition & Fees	32,000	32,000	52,746	20,746
Earnings on Investments	80,000	80,000	127,261	47,261
Extracurricular Activities	6,000	6,000	61,502	55,502
Intergovernmental	15,433,647	15,433,647	16,477,569	1,043,922
Donations	-	-	81,000	81,000
Miscellaneous	-	-	306,491	306,491
Total Revenues	22,136,439	22,136,439	22,774,660	638,221
Expenditures:				
Current:				
Instruction:				
Regular	9,741,034	9,780,142	9,205,402	574,740
Special	1,505,143	1,504,628	1,713,430	(208,802)
Vocational	368,701	370,901	279,504	91,397
Other	1,387,634	1,387,634	1,691,988	(304,354)
Support Services:				
Pupils	1,271,652	1,272,602	574,919	697,683
Instructional Staff	583,826	584,451	395,772	188,679
Board of Education	312,500	312,500	346,952	(34,452)
Administration	1,599,349	1,617,821	1,879,602	(261,781)
Fiscal	1,475,633	2,044,751	2,147,430	(102,679)
Operation and Maintenance of Plant	2,140,650	2,128,409	2,592,639	(464,230)
Pupil Transportation	928,287	928,287	1,008,583	(80,296)
Central	39,135	39,135	41,219	(2,084)
Extracurricular Activities	553,897	553,897	526,833	27,064
Total Expenditures	21,907,441	22,525,158	22,404,273	120,885
Excess of Revenues Over (Under) Expenditures	228,998	(388,719)	370,387	759,106
Other Financing Sources (Uses):				
Advances - In	557,339	557,339	549,108	(8,231)
Advances - Out	-	(528,629)	(597,248)	(68,619)
Total Other Financing Sources (Uses)	557,339	28,710	(48,140)	(76,850)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	786,337	(360,009)	322,247	682,256
Fund Balances at Beginning of Year, restated	4,162,615	4,162,615	4,162,615	-
Prior Year Encumbrances Appropriated	103,787	103,787	103,787	-
Fund Balances at End of Year	\$ 5,052,739	\$ 3,906,393	\$ 4,588,649	\$ 682,256

Note:

Beginning Balance restatement due to prior period restatement of cash balance. See Note 19 for changes in beginning fund balance.

See accompanying notes to the basic financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2008**

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 60,481
Accounts Receivable	119
Total Assets	<u>60,600</u>
Liabilities	
Accounts Payable	532
Due to Students	60,068
Total Liabilities	<u>\$ 60,600</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY

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

Average daily membership (ADM) as of October 1, 2007, was 3,052. The District employed 209 certified employees and 86 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities 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 basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

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

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 14.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

A. Fund Accounting

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

Governmental Fund Types:

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

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

Construction Fund – The Construction Fund is used to account for financial resources to be used for the construction of major capital facilities.

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

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

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net 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 operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into net asset components. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The District has no proprietary funds.

C. Basis of Accounting

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

The District reports deferred revenue on its statement of net assets and governmental fund balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available, and for tax receipts the "intended to finance" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses

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

D. Budgetary Process

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

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

E. Cash and Investments

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). 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, 2008.

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

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

G. Capital Assets and Depreciation

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of capital assets. Interest is expensed as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure.

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

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

H. Intergovernmental Revenues

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

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

Major - General Fund:

Entitlements:

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

Reimbursable Grants:

- Driver Education
- Telecommunications Act Grant
- Vocational Education

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-major governmental funds:

Non-Reimbursable Grants:

- Education Management Information Systems
- Title I
- EHA Preschool Handicapped Grant
- Title VI
- Data Communications
- Technology Preparation
- Drug-Free Schools Grant
- Ohio Reads
- Eisenhower Grant
- SchoolNet Grant

Reimbursable Grants:

- National School Lunch Program
- Government Donated Commodities

I. Interfund Activity

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

J. Compensated Absences

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

A liability for sick leave is accrued using the termination method, which states that an accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do 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, supplies inventory 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. Encumbrances

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Fund Balance</u>
District-Managed Student Activities	\$ (346,771)
Entry Year	(34)
Student Intervention	(2,337)
Vocational Educational Enhancement	(1,398)
Poverty Based Assistance	(827)
Title VI-B	(131,532)
Title I	(71,420)
Title V	(832)
Improving Teacher Quality	(4,522)

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

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

**Excess (Deficiency) of Revenues and
Other Financing Sources Over (Under)
Expenditures and Other Financing Uses**

	<u>General Fund</u>
GAAP Basis	518,765
Revenue Accruals	383,988
Expenditure Accruals	(438,192)
Advances, Net	(48,140)
Encumbrances	(94,174)
Budget Basis	<u>322,247</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Deposits

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

At fiscal year-end, the carrying amount of the District's deposits was \$1,080,039 and the bank balance was \$1,271,432. Of the bank balance, \$1,171,432 was exposed to custodial credit risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance. In addition, the District maintained \$4,769 in petty cash accounts at year-end.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Investment Type	Fair Value	Investment Maturities Less Than 12 Months
Bankers' Acceptance Notes	\$ 290,306	\$ 290,306
Money Market Funds	4,254,489	4,254,489
STAR Ohio	17,254,231	17,254,231
	<u>\$ 21,799,026</u>	<u>\$ 21,799,026</u>

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

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Standard & Poor's has assigned STAR Ohio a "AAAm" money market rating. The District's bankers' acceptance notes and money market funds were not rated.

Concentration of Credit Risk. Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at fiscal year-end:

	Fair Value	% To Total
Bankers' Acceptance Notes	\$ 290,306	1%
Money Market Funds	4,254,489	20%
STAR Ohio	17,254,231	79%
Total	<u>\$ 21,799,026</u>	<u>100%</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. First half collections are received by the District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property as 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of inventory. The tangible personal property tax is being phased out. The assessed percentage for all property including inventory for 2007 and 2008 was 12.5 percent and 6.25 percent, respectively. This will be reduced to zero percent for 2009.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	Calendar Year 2007 Second Half Collections		Calendar Year 2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 146,901,740	55.00%	\$ 150,367,230	61.40%
Real Property - Commercial / Industrial	71,797,120	26.88%	69,064,820	28.20%
Real Property - Public Utilities	145,880	0.05%	167,520	0.07%
Personal Property - General	37,670,876	14.10%	16,966,782	6.93%
Personal Property - Public Utilities	10,578,110	3.96%	8,345,600	3.41%
Total Assessed Values	<u>\$ 267,093,726</u>	<u>100.00%</u>	<u>\$ 244,911,952</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 55.15		\$ 55.60

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2008 second-half property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES (Continued)

Property taxes receivable represents real property and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2008 was \$2,578,646.

NOTE 7 – CAPITAL ASSETS

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

Asset Class	Beginning Balance	Prior Period Restate	Restated Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land	\$ 287,699	\$ -	\$ 287,699	\$ 204,941	\$ -	\$ -	\$ 492,640
Construction in Progress	24,511,752	1,169,895	25,681,647	18,766,957	-	(29,805,274)	14,643,330
Buildings	19,158,962	-	19,158,962	-	(1,284,135)	29,805,274	47,680,101
Improvements	1,289,749	(957)	1,288,792	121,444	(57,228)	-	1,353,008
Furniture & Equipment	5,841,796	(830,140)	5,011,656	1,236,475	(921,342)	-	5,326,789
Vehicles	1,732,050	-	1,732,050	-	(70,000)	-	1,662,050
Total Capital Assets	<u>52,822,008</u>	<u>338,798</u>	<u>53,160,806</u>	<u>20,329,817</u>	<u>(2,332,705)</u>	<u>-</u>	<u>71,157,918</u>
Less Accumulated Depreciation							
Buildings	5,612,139	-	5,612,139	492,013	(1,220,209)	-	4,883,943
Improvements	333,475	(957)	332,518	75,037	(49,184)	-	358,371
Furniture & Equipment	3,904,925	(401,429)	3,503,496	360,184	(819,729)	-	3,043,951
Vehicles	1,309,038	-	1,309,038	78,581	(8,750)	-	1,378,869
Total Accumulated Depreciation	<u>11,159,577</u>	<u>(402,386)</u>	<u>10,757,191</u>	<u>1,005,815</u>	<u>(2,097,872)</u>	<u>-</u>	<u>9,665,134</u>
Capital Assets, Net	<u>\$ 41,662,431</u>	<u>\$ 741,184</u>	<u>\$ 42,403,615</u>	<u>\$ 19,324,002</u>	<u>\$ (234,833)</u>	<u>\$ -</u>	<u>\$ 61,492,784</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 685,536
Instruction Special	1,932
Instruction Vocational	12,365
Pupils	2,384
Instructional Staff	34,952
Board of Education	1,866
Administration	14,933
Fiscal Services	141
Operation and Maintenance of Plant	61,632
Pupil Transportation	64,908
Central	4,209
Noninstructional Services	56,775
Extracurricular Activities	64,182
	<u>\$ 1,005,815</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - 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. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$380,379, \$359,736, and \$332,208, respectively. 65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The District's unpaid contribution for fiscal year 2008, including the surcharge, totaling \$203,772, has been recorded as a liability in the appropriate funds.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2002 Comprehensive Annual Financial Report can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Chapter 3307 of the Revised Code provides the statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,725,313, \$1,485,012, and \$1,411,776, respectively. 87% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. \$264,940, representing the unpaid contribution for fiscal year 2008, is recorded as a liability within the paying fund.

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. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (most recent information available) was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (most recent information available), the actuarially required allocation was .68%. The District's contributions for the year ended June 30, 2008 were \$18,475, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two-third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007 (most recent information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$90,204, \$87,880, \$81,391, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (most recent information available), the minimum compensation level was established at \$35,800.

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 and June 30, 2006 (most recent information available), the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007 (latest information available).

For the fiscal year ended June 30, 2007 (latest information available), net health care costs paid by STRS Ohio were \$265,558,000 and there were 122,934 eligible benefit recipients.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The District's contributions for the years ended June 30, 2008, 2007, and 2006 were \$109,854, \$106,030, \$100,801, respectively.

NOTE 10 - COMPENSATED ABSENCES

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 – RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
2001 Construction Bond:					
Current Interest Bonds	\$ 4,585,000	\$ -	\$ (470,000)	\$ 4,115,000	\$ -
Capital Appreciation Bonds	1,320,000	40,000	-	1,360,000	480,000
2006 School Improvement Bond	11,600,000	-	(100,000)	11,500,000	150,000
2006 Advance Refunding Bonds:					
Current Interest Bonds	9,040,000	-	(70,000)	8,970,000	75,000
Capital Appreciation Bonds	943,554	39,126	-	982,680	-
Bonds Payable	<u>27,488,554</u>	<u>79,126</u>	<u>(640,000)</u>	<u>26,927,680</u>	<u>705,000</u>
2006 School Improvement Bond					
Premium on Bonds	275,867	-	(10,409)	265,458	-
2006 Advance Refunding Bonds					
Premium on Bonds	5,439	-	(253)	5,186	-
Deferred Amount on Refunding	(313,432)	-	69,652	(243,780)	-
Total Bonds Payable	<u>27,456,428</u>	<u>79,126</u>	<u>(581,010)</u>	<u>26,954,544</u>	<u>705,000</u>
Compensated Absences	<u>702,580</u>	<u>181,894</u>	<u>(215,774)</u>	<u>668,700</u>	<u>219,006</u>
	<u>\$ 28,159,008</u>	<u>\$ 261,020</u>	<u>\$ (796,784)</u>	<u>\$ 27,623,244</u>	<u>\$ 924,006</u>

The beginning balance for the 2001 Construction Bonds was restated by \$879,182 to account for previously unrecorded accumulated accretion on capital appreciation bonds.

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

2006 Advance Refunding Bonds

On December 1, 2005, the District issued general obligation bonds of \$9,399,991 (par value) with interest rates ranging from 3.15% to 5% to advance refund current interest serial and term bonds with interest rates ranging from 3.85% to 5.375% and a par value of \$9,400,000. The term bonds mature December 1, 2016, December 1, 2021, and December 1, 2028, and are callable on December 1, 2011. The general obligation bonds were issued at a premium of \$598,594 and, after paying issuance costs of \$180,675, the net proceeds were \$9,817,910. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

As a result of the advance refunding, the District reduced its total debt service requirements by \$645,558, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$398,253.

2006 School Improvement Bonds

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

Compensated Absences

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

The District's overall legal debt margin available was \$22,042,076 with an unvoted debt margin of \$244,912 at June 30, 2008.

The annual requirement to amortize all bonds outstanding as of June 30, 2008 is as follows:

		Principal	Interest	Total
Year ending June 30,	2009	\$ 705,000	\$ 1,096,751	\$ 1,801,751
	2010	745,000	1,087,451	1,832,451
	2011	680,000	1,156,167	1,836,167
	2012	780,000	1,053,480	1,833,480
	2013	875,000	1,017,590	1,892,590
	2014-2018	4,652,680	4,715,133	9,367,813
	2019-2023	5,940,000	3,512,863	9,452,863
	2024-2028	7,385,000	2,044,550	9,429,550
	2029-2033	4,380,000	591,106	4,971,106
	2034-2038	785,000	17,663	802,663
			<u>\$ 26,927,680</u>	<u>\$ 16,292,754</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 – CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at year-end:

Contractor	Contract Amount	Amount Paid	Amount Remaining
Accurate Electric, Inc	\$ 2,429,245	\$ 761,961	\$ 1,667,284
Anderson Recreational	77,030	-	77,030
Contentental Education Environments	194,450	158,725	35,725
C&T Design & Equipment	438,280	73,813	364,467
Farber Company	2,251,076	1,096,070	1,155,006
Four Seasons Environmental	130,051	87,840	42,211
General Temperature Controls	1,265,817	642,441	623,376
George J. Igel & Co.	4,269,693	2,760,369	1,509,324
Gutknecht Construction	3,431,000	3,392,917	38,083
H.C. Nutting Company	138,470	106,072	32,398
Johnson Controls, Inc	594,990	424,817	170,173
Key Companies	79,650	36,578	43,072
Performance Site Management	2,323,675	2,229,284	94,391
Pezzo Construction Inc.	1,597,000	1,473,894	123,106
Phoenix Masonry	2,954,500	1,871,390	1,083,110
Pro-Onsite Technologies	1,189,000	1,013,518	175,482
Rockwood Builders	185,494	59,391	126,103
Simplex Grinnell	235,388	227,328	8,060
Steed Hammond & Paul	2,460,303	1,948,226	512,077
Stonecreek Interior Systems	659,823	292,136	367,687
Thomas & Marker Construction	13,770,865	8,649,371	5,121,494
Total	<u>\$ 40,675,800</u>	<u>\$ 27,306,141</u>	<u>\$ 13,369,659</u>

Contractual Commitments are primarily a result of the District's participation in the Ohio School Facilities Commission's Classroom Facilities Assistance Program. The project consists of a new high school, a new elementary building, and a new middle school. All buildings are currently in the process of being constructed.

NOTE 14 - 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
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - STATUTORY RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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 and capital acquisition. Disclosure of this information is required by State statute.

	Textbook	Capital Acquisition	Totals
Set-aside Beginning Balance	\$ (121,758)	\$ 0	\$ (121,758)
Current year set-aside requirements	466,090	466,090	932,180
Current year offsets	0	(70,474)	(70,474)
Qualifying disbursements	(412,959)	(395,616)	(808,575)
Set-aside Ending Balance	\$ (68,627)	\$ 0	\$ (68,627)
Set-aside Carryover Balance	\$ (68,627)	\$ 0	
Set-aside Reserve Balance	\$ 0	\$ 0	

The District had offsets and qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set-aside amounts at or below zero. The extra amount for textbooks may be used to reduce the set-aside requirements of future fiscal years.

NOTE 16 - 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 fiscal year-end.

B. Litigation

The District's attorney estimates that any potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - 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.

NOTE 18 –TRANSFERS AND DUE TO/FROM OTHER FUNDS

A. Interfund Transfers

Transfers are generally used to either (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond Retirement Fund as debt service payments become due, or (3) use unrestricted revenues collected in the General Fund to finance various program accounted for in other funds in accordance with budgetary authorizations. There were no interfund transfers during fiscal year 2008.

B. Interfund Advances

On an as-needed basis, the District's General Fund advances cash to other funds of the District to eliminate cash deficits. Advances are repaid to the General Fund in the following fiscal year.

A schedule of interfund advances during the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Advance In</u>	<u>Advance Out</u>	<u>Ending Balance</u>
General Fund	\$ (578,874)	\$ 549,108	\$ (597,248)	\$ (627,014)
Permanent Improvement	\$ -	\$ 31,392	\$ -	\$ 31,392
Food Service	120,000	24,251	(120,000)	24,251
Distict Managed Activity	315,000	384,743	(315,000)	384,743
Public School Preschool	-	70,804	-	70,804
Ohio Reads	1,000	-	-	1,000
Student Intervention	2,337	-	-	2,337
Vocational Education Enhancement	95	1,300	-	1,395
Poverty Aid	25,000	8,211	(25,000)	8,211
Miscellaneous State Grants	15,000	1,004	(7,769)	8,235
Title IV-B IDEA Special Education	43,286	70,824	(25,000)	89,110
Title I	56,339	4,719	(56,339)	4,719
Title V	817	-	-	817
	<u>\$ 578,874</u>	<u>\$ 597,248</u>	<u>\$ (549,108)</u>	<u>\$ 627,014</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19 – CHANGES IN BEGINNING FUND BALANCE/NET ASSETS

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning fund balance/net assets to restate that amount to what it would have been had the error not occurred.

Changes in accounting principle, which occur when: 1) a new accounting standard is implemented; 2) a government decides to use an alternative accounting principle permitted by generally accepted accounting standards because it believes that principle is preferable to the one previously employed; or 3) a government changes its application of an accounting principle.

The District recorded the following direct adjustments to beginning fund balance/net assets during the fiscal year:

1. Change in accounting principle - internal service fund activity reclassified from proprietary to governmental;
2. Change in accounting principle - increase capitalization threshold from \$700 to \$1,000;
3. Prior period adjustment – fiscal year 2007 investment earnings not recorded;
4. Prior period adjustment – fiscal year 2007 construction in progress not recorded; and
5. Prior period adjustment – previous fiscal years’ accumulated accretion on fiscal year 2001 capital appreciation bonds not recorded.

The effects of these direct adjustments are presented below:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Internal Service</u>	<u>Governmental Activities</u>
Beginning Balance	\$ 3,674,565	\$ 26,581,726	\$ 132	\$ 47,142,520
Internal Service Fund Activity	132	-	(132)	-
Increase in Capitalization Threshold	-	-	-	(428,711)
Unrecorded Investment Earnings	123,510	101,349	-	224,859
Unrecorded Capital Assets	-	-	-	1,169,895
Unrecorded Accretion	-	-	-	(879,182)
Beginning Balance, Restated	<u>\$ 3,798,207</u>	<u>\$ 26,683,075</u>	<u>\$ -</u>	<u>\$ 47,229,381</u>

The beginning balance in the general fund budgetary statement was decreased \$149,625 from the previous year’s ending balance of \$4,312,240. This decrease is a result of the increase from unrecorded investment earnings noted above (\$123,510) offset by the general funds’ forgiveness of an advance of funds to the internal service fund (\$273,135).

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 20 – NEW GASB PRONOUNCEMENTS

For fiscal year 2008, the District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", superseding GASB Statements No. 12 and No. 27. The implementation of GASB Statement No. 45 had some effect on the disclosure requirements; however, there was no effect on the prior period fund balances of the District.

NOTE 21 – COMPONENT UNIT DISCLOSURES

Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The financial statements of Hamilton Local Digital Academy (HLDA) have been prepared in conformity with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

B. Property and Depreciation

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

C. Estimates

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

Deposits

As of June 30, 2008, the carrying amount of the Digital Academy's deposits was \$245,055 and the bank balance was \$269,423. All of the bank balance was covered by federal depository insurance and pooled collateral agreements with the banking institution. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Capital Assets

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

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 289,758	\$ 13,755	\$ -	\$ 303,513
Total Depreciable Capital Assets	<u>289,758</u>	<u>13,755</u>	<u>-</u>	<u>303,513</u>
Total Accumulated Depreciation	<u>(115,616)</u>	<u>(60,703)</u>	<u>-</u>	<u>(176,319)</u>
Capital Assets, Net	<u>\$ 174,142</u>	<u>\$ (46,948)</u>	<u>\$ -</u>	<u>\$ 127,194</u>

HAMILTON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
School Breakfast Program	07-PU 2008	10.553	\$212,933	\$212,933
National School Lunch Program	LL-P4 2008	10.555	412,135	412,135
<i>Total Nutrition Cluster</i>			<u>625,068</u>	<u>625,068</u>
Total U.S. Department of Agriculture			625,068	625,068
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2008	84.010	431,143	427,572
Special Education - Grants to States (IDEA Part B)	6B-SF 2008	84.027	656,789	708,428
Safe and Drug-Free Schools and Communities	DR-S1-2008	84.186	12,105	12,491
Innovative Educational Program Strategies	C2-S1 2008	84.298	7,128	7,128
Technology Literacy Challenge	TJ-S1 2008	84.318	4,163	440
Comprehensive School Reform	RF-S1 2008	84.332	23,925	10,807
Improving Teacher Quality	TR-S1 2008	84.367	127,376	143,577
21st Century Grant	3Y20	84.287	48,599	30,246
Total U.S. Department of Education			<u>1,311,228</u>	<u>1,340,689</u>
Total Federal Financial Assistance			<u>\$1,936,296</u>	<u>\$1,965,757</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2008, the District received \$66,505 and used \$66,505 in fair value inventory under the Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2008 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 basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2008. 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.

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 opinions on the financial statements and not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, for the significant deficiency described above, we believe this finding is also a material weakness.

Compliance and Other Matters

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

The District's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

January 15, 2009

**Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Hamilton Local School District
775 Rathmell 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 apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. 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 occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

Board of Education
Hamilton Local School District
Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely 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.

January 15, 2009

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of Financial Statement Opinion	Unqualified
2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	Yes
3. Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
4. Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
5. Were there any material internal control weaknesses reported for major federal programs?	No
6. Were there any other reportable internal control weaknesses reported for major federal programs?	No
7. Type of Major Programs' Compliance Opinion	Unqualified
8. Are there any reportable findings under § .510?	No
9. Major Programs (list):	Title I Grant; CFDA # 84.010 Special Education - Basic Grants; CFDA # 84.027
10. Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Other Programs
11. Low Risk Auditee?	No

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

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

Finding Number 2008-001

Significant Deficiency/Material Weakness

Rule 117-2-01 (A) and 117-2-01 (B)(1) of the Ohio Administrative Code directs all public offices to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District made prior period adjustments to correct errors that resulted in a restatement of the beginning fund balances in three separate reporting units for the reporting period ended June 30, 2008. The necessity for the District to make these corrections indicates a significant deficiency in the design of the internal control system over the reliability of financial reporting.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the District review their internal controls over financial reporting and take the necessary steps to strengthen these controls in an effort to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data throughout the year.

Officials' Response

Unrecorded investment earnings were primarily the result of the coupon interest payments and interest at final maturity on the District's U. S. Agency obligations that were not recorded. Unrecorded capital assets are the result of payments made by the Ohio School Facilities Commission directly to the District's construction manager that were not recorded. Unrecorded accretion is the result of accumulated accretion of the District's capital appreciation bonds that was not recorded. All of the items are related to the OSFC project and the District will devise and implement internal control procedures capable of preventing these types of errors in the remaining future periods of the project.

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 Years Ended June 30, 2008

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2007-001	The District had prior period adjustments to cash balances in four separate opinion units for errors.	Not Corrected	Reissued as 2008-001

HAMILTON LOCAL SCHOOL DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2008

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2008-001	The District plans to review their internal controls over financial reporting and will implement additional procedures to help prevent or detect possible errors in reporting.	Immediate	Adam Collier, Treasurer



Mary Taylor, CPA
Auditor of State

HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 10, 2009