



Dave Yost • Auditor of State



HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis .....	11
Statement of Activities – Cash Basis .....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds .....	13
Statement of Cash Receipts, Disbursements and Changes In Fund Balances – Cash Basis - Governmental Funds .....	14
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual – Budget Basis General Fund .....	15
Statement of Fiduciary Assets and Liabilities – Cash Basis – Fiduciary Funds .....	16
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Funds .....	17
Notes to the Basic Financial Statements .....	19
Federal Awards Receipts and Expenditures Schedule.....	43
Notes to the Federal Awards Receipts and Expenditures Schedule .....	45
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133. ....	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	57
Corrective Action Plan.....	59
Independent Accountants' Report on Applying Agreed Upon Procedures.....	61

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hamilton City School District  
Butler County  
533 Dayton Street  
Hamilton, Ohio 45012

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2011, 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 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 Comptroller General of the United States' *Government Auditing Standards*. 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 2, for the year ended June 30, 2011, the District ceased to report using generally accepted accounting principles and reported on the cash basis in a format comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

As described in Note 19, during the year ended June 30, 2011, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

February 27, 2012

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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The discussion and analysis of Hamilton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- Net assets for fiscal year 2011 decreased by \$37,290,413, or 45.8%, to a total net assets amount of \$44,124,018. Capital Outlay disbursements totaled \$40,112,951 against associated program revenue of \$2,839,709 which contributed \$37,273,242 towards the decrease in net assets. The district is in the final stages of a \$240 million rebuilding and renovation program that will be completed prior to June 30, 2012.
- During fiscal year 2011, the School District received both fiscal stabilization monies and ARRA grants that helped to stabilize the budget.
- The district administration and Board of Education spent a significant amount of time in FY2011 working on a reduction plan in anticipation of funding losses from the State of Ohio. Reductions made as a result of that effort combined with concessions in our negotiated agreements stabilized the district's financial condition and we were able to stay off the ballot.

### **Using this Annual Financial Report**

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

#### *Report Components:*

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

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

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

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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*Basis of Accounting:*

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and Statement of Activities – Cash Basis:*

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2011, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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**Reporting the School District's Most Significant Funds**

*Fund Financial Statements:*

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

*Governmental Funds:*

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

*Fiduciary Funds*

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010 on a cash basis. The \$37.3 million decrease in net assets is due to construction.

	<b>Net Assets</b>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	<u>\$44,124,018</u>	<u>\$81,414,431</u>	<u>(\$37,290,413)</u>
<b>Net Assets</b>			
Restricted	35,797,498	72,934,848	(37,137,350)
Unrestricted	<u>8,326,520</u>	<u>8,479,583</u>	<u>(153,063)</u>
<i>Total Net Assets</i>	<u><u>\$44,124,018</u></u>	<u><u>\$81,414,431</u></u>	<u><u>(\$37,290,413)</u></u>

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011. This is the first year that Hamilton City School District has prepared financial statements following GASB Statement 34 under the cash basis, therefore, receipt and disbursement comparisons to FY10 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
**Change in Net Assets**

Receipts	
Program Receipts:	
Charges for Services	\$2,344,563
Operating Grants, Interest and Contributions	18,930,761
Capital Grants, Interest and Contributions	<u>2,820,928</u>
Total Program Receipts	<u>24,096,252</u>
General Receipts:	
Property Taxes	27,818,896
Grants and Entitlements not Restricted to Specific Programs	49,381,871
Investment Earnings	65,596
Sale of Capital Assets	193,336
Miscellaneous	<u>129,422</u>
Total General Receipts	<u>77,589,121</u>
Total Receipts	<u>101,685,373</u>
Program Disbursements:	
Instruction:	
Regular	40,277,096
Special	11,667,656
Vocational	1,588,007
Adult/Continuing	264,890
Support Services:	
Pupil	6,228,792
Instructional Staff	5,373,568
Board of Education	424,044
Administration	4,730,998
Fiscal	1,189,802
Business	396,999
Operation and Maintenance of Plant	8,224,276
Pupil Transportation	2,897,111
Central	865,712
Operation of Non-Instructional Services	5,109,338
Extracurricular Activities	1,323,938
Capital Outlay	40,112,951
Debt Service:	
Principal	3,275,000
Interest and Fiscal Charges	<u>5,025,608</u>
Total Disbursements	<u>138,975,786</u>
Change in Net Assets	<u>(\$37,290,413)</u>

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

**Governmental Activities**

As the School District navigates through the final stage of the approximately \$240 million construction and renovation project we will see our expenditure levels decline accordingly. In fiscal year 2011 we had \$138,975,786 in total disbursements but \$40,112,951 was in the area of capital outlay which is primarily due to paying our contractors for construction completed to date. We will continue to have significant capital expenditures through fiscal year 2012.

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

**Table 3**  
**Governmental Activities**

	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
Instruction:		
Regular	40,277,096	(\$35,295,608)
Special	11,667,656	(8,515,551)
Vocational	1,588,007	(834,364)
Adult/Continuing	264,890	(20,885)
Support Services:		
Pupil	6,228,792	(5,199,115)
Instructional Staff	5,373,568	(2,732,496)
Board of Education	424,044	(415,667)
Administration	4,730,998	(4,043,768)
Fiscal	1,189,802	(1,167,840)
Business	396,999	(389,309)
Operation and Maintenance of Plant	8,224,276	(7,999,209)
Pupil Transportation	2,897,111	(1,268,795)
Central	865,712	(732,287)
Operation of Non-Instructional Services	5,109,338	293,445
Extracurricular Activities	1,323,938	(984,235)
Capital Outlay	40,112,951	(37,273,242)
Debt Service:		
Principal	3,275,000	(3,275,000)
Interest and Fiscal Charges	<u>5,025,608</u>	<u>(5,025,608)</u>
Total Disbursements	<u>\$138,975,786</u>	<u>(\$114,879,534)</u>

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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**The School District's Funds**

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Bond Retirement Fund, Permanent Improvement Fund, Building Program Fund and the Ohio School Facilities Fund. All governmental funds had total receipts of \$101,485,032 and disbursements of \$138,975,786. The five major funds account for 82% and 87% of receipts and disbursements, respectively.

General Fund receipts totaled \$69,745,428 while disbursements totaled \$70,189,581 and other financing sources and uses totaled \$342,888. The end result was the General Fund balance decreased \$101,265.

The Bond Retirement Fund had \$8,081,876 in receipts and \$8,416,058 in disbursements. The Bond Retirement fund balance was reduced by \$334,182 in fiscal year 2011 from \$6,361,785 to \$6,027,603.

The Permanent Improvement Fund had \$3,011,982 in receipts against \$3,165,585 in disbursements in fiscal year 2011 resulting in a fund balance decrease of \$153,603.

The Building Program Fund had receipts of \$7,000 against disbursements of \$7,909,883 which resulted in the fund balance dropping from \$14,298,476 to \$6,395,593. We welcome this decrease in fund balance as it is a sign of the progress being made in our construction program.

The Ohio School Facilities Fund had receipts of \$2,843,253 and disbursements of \$31,910,072 bringing the beginning balance of \$38,907,167 down to \$9,840,348. Once again this reduction in fund balance is a welcome sight as it is indicative of progress being made on our master facilities construction program.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the School District revised its budget as we dealt with changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 13, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$69,745,428, or \$288,635 more than the original budgeted receipts. Final budget basis disbursements were \$70,973,758 or \$2,765,375 more than projected. District administration decided to delay the use of \$2.7 million in Education Job Funds from FY11 to FY12 after the original budget was set in place.

**Hamilton City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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**Debt Administration**

Table 3 summarizes the debt outstanding:

Table 3  
Outstanding Debt, at Fiscal Year-end  
Governmental Activities

	<u>2011</u>	<u>2010</u>
School Improvement Bonds	\$10,195,000	\$11,615,000
School Improvement Bonds	21,985,000	22,220,000
School Improvement Refunding Bonds	67,155,000	68,775,000
Capital Lease	570,618	188,625
	<u>\$99,905,618</u>	<u>\$102,798,625</u>

For more information on Debt, see Notes 13 and 14 of the Basic Financial Statements.

**Current Financial Issues and Concerns**

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

It is no secret that operating revenues for Ohio school districts have stagnated in recent years. In fiscal year 2012 the School District is using \$2.7 million in Education Jobs funds to offset the loss in funding that the School District is experiencing in state funding. In fiscal year 2011 we had operating revenue totaling \$73.2 million in fiscal year 2012 we anticipate \$73.6 million in operating revenue but that includes the \$2.7 million in Education Jobs funding. In fiscal year 2013 we anticipate that our operating revenue will fall to \$71.2 million and the district will be spending \$1.46 million more than it is receiving.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert A. Hancock, CPA at 533 Dayton Street, Hamilton, OH 45011 or email me at [robert\\_hancock@fc.hamilton-city.k12.oh.us](mailto:robert_hancock@fc.hamilton-city.k12.oh.us).

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**Hamilton City School District**  
Statement of Net Assets - Cash Basis  
June 30, 2011

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,124,018</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	6,027,603
Capital Outlay	25,554,449
Other Purposes	4,175,846
Unrestricted	<u>8,366,120</u>
<i>Total Net Assets</i>	<u><u>\$44,124,018</u></u>

See Accompanying Notes to the Basic Financial Statements

**Hamilton City School District**  
Statement of Activities - Cash Basis  
For Fiscal Year Ending June 30, 2011

	Program Cash Receipts				Net (Disbursements) Receipts & Changes in Net Assets
Cash Disbursements	Charges for Services	Operating Grants, Interest & Contributions		Capital Grants & Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 40,277,096	\$ 402,839	\$ 4,578,649	\$ -	\$ (35,295,608)
Special	11,667,656	96,074	3,056,031	-	(8,515,551)
Vocational	1,588,007	14,787	738,856	-	(834,364)
Adult/Continuing	264,890	-	244,005	-	(20,885)
Support Services:					
Pupils	6,228,792	255,098	774,579	-	(5,199,115)
Instructional Staff	5,373,568	29,343	2,611,729	-	(2,732,496)
Board of Education	424,044	4,673	3,704	-	(415,667)
Administration	4,730,998	45,586	641,644	-	(4,043,768)
Fiscal	1,189,802	11,262	10,700	-	(1,167,840)
Business	396,999	4,290	3,400	-	(389,309)
Operation and Maintenance of Plant	8,224,276	87,652	137,415	-	(7,999,209)
Pupil Transportation	2,897,111	31,488	1,596,828	-	(1,268,795)
Central	865,712	114,862	18,563	-	(732,287)
Operation of Non-Instructional Services	5,109,338	948,733	4,454,050	-	293,445
Extracurricular Activities	1,323,938	284,588	55,115	-	(984,235)
Capital Outlay:	40,112,951	13,288	5,493	2,820,928	(37,273,242)
Debt Service:					
Principal	3,275,000	-	-	-	(3,275,000)
Interest and Fiscal Charges	5,025,608	-	-	-	(5,025,608)
<i>Total Governmental Activities</i>	<u>\$ 138,975,786</u>	<u>\$ 2,344,563</u>	<u>\$ 18,930,761</u>	<u>\$ 2,820,928</u>	<u>\$ (114,879,534)</u>
<b>General Receipts:</b>					
Payments in Lieu of Taxes					\$ 490,640
Property Taxes Levied for:					
General Purposes					17,598,973
Debt Services					7,029,832
Permanent Improvement					2,313,851
Other Purposes					385,600
Grants and Entitlements not Restricted to Specific Programs					49,381,871
Investment Earnings					65,596
Miscellaneous					122,418
Sale of Capital Assets					193,336
Refund of Prior Years Expenditures					7,004
					<u>77,589,121</u>
<i>Total General Revenues and Transfers and Property and Other Local Taxes &amp; Tuition a</i>					77,589,121
<i>Change in Net Assets</i>					(37,290,413)
<i>Net Assets Beginning of Year (Restated - Note 3)</i>					<u>81,414,431</u>
<i>Net Assets End of Year</i>					<u>\$44,124,018</u>

See Accompanying Notes to the Basic Financial Statements

**Hamilton City School District**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2011

	General	Bond Retirement	Permanent Improvements	Building Program Fund	Ohio School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$8,366,120	\$6,027,603	\$9,318,508	\$6,395,593	\$9,840,348	\$4,175,846	\$44,124,018
<b>Fund Balances</b>							
Non-spendable	72,671						72,671
Restricted		6,027,603	142,539	6,395,593	9,840,348	3,935,305	26,341,388
Committed			9,175,969				9,175,969
Assigned	784,175					240,541	1,024,716
Unassigned	7,509,274						7,509,274
<i>Total Fund Balances</i>	<u>\$8,366,120</u>	<u>\$6,027,603</u>	<u>\$9,318,508</u>	<u>\$6,395,593</u>	<u>\$9,840,348</u>	<u>\$4,175,846</u>	<u>\$44,124,018</u>

See Accompanying Notes to the Basic Financial Statements

**Hamilton City School District**  
Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Permanent Improvements	Building Program Fund	Ohio School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$17,598,973	\$7,029,832	\$2,313,851	-	-	\$385,600	\$27,328,256
Intergovernmental	50,644,533	1,052,044	537,004	-	2,820,928	15,953,257	71,007,766
Interest	65,596	-	161,127	-	22,325	3,198	252,246
Tuition and Fees	523,360	-	-	-	-	987	524,347
Rent	39,736	-	-	-	-	200	39,936
Extracurricular Activities	118,390	-	-	-	-	295,626	414,016
Gifts and Donations	40,023	-	-	7,000	-	195,692	242,715
Customer Sales and Services	139,068	-	-	-	-	923,624	1,062,692
Payments in Lieu of Taxes	490,640	-	-	-	-	-	490,640
Miscellaneous	85,109	-	-	-	-	37,309	122,418
<b>Total Receipts</b>	<b>69,745,428</b>	<b>8,081,876</b>	<b>3,011,982</b>	<b>7,000</b>	<b>2,843,253</b>	<b>17,795,493</b>	<b>101,485,032</b>
<b>Disbursements</b>							
<b>Current:</b>							
<b>Instruction:</b>							
Regular	33,629,644	-	2,346,531	-	-	4,300,921	40,277,096
Special	8,781,521	-	6,944	-	-	2,879,191	11,667,656
Vocational	1,350,591	-	-	-	-	237,416	1,588,007
Adult/Continuing	-	-	-	-	-	264,890	264,890
<b>Support Services:</b>							
Pupils	5,524,320	-	3,940	-	-	700,532	6,228,792
Instructional Staff	2,682,667	-	15,110	-	-	2,675,791	5,373,568
Board of Education	424,044	-	-	-	-	-	424,044
Administration	4,168,461	-	6,660	-	-	555,877	4,730,998
Fiscal	1,029,250	115,450	38,770	-	-	6,332	1,189,802
Business	393,830	-	3,169	-	-	-	396,999
Operation and Maintenance of Plant	7,774,138	-	222,259	13,948	-	213,931	8,224,276
Pupil Transportation	2,877,472	-	19,639	-	-	-	2,897,111
Central	774,329	-	31,527	-	-	59,856	865,712
<b>Operation of Non-Instructional Services:</b>							
Food Service Operations	-	-	64,802	-	-	4,048,927	4,113,729
Community Services	-	-	-	-	-	995,609	995,609
<b>Extracurricular Activities:</b>							
Academic Oriented Activities	127,314	-	30,816	-	-	51,231	209,361
Sport Oriented Activities	633,884	-	189,956	-	-	248,286	1,072,126
School and Public Service Co-Curricular Activities	17,316	-	-	-	-	25,135	42,451
<b>Capital Outlay:</b>							
Site Improvement Services	-	-	-	767,891	381,890	-	1,149,781
Architecture and Engineering Services	-	-	-	744,024	10,215	-	754,239
Building Acquisition and Construction Services	800	-	176,655	6,364,816	31,517,967	120,682	38,180,920
Building Improvement Services	-	-	8,807	-	-	-	8,807
Other Facilities Acquisition and Construction	-	-	-	19,204	-	-	19,204
<b>Debt Service:</b>							
Principal	-	3,275,000	-	-	-	-	3,275,000
Interest	-	5,025,608	-	-	-	-	5,025,608
<b>Total Disbursements</b>	<b>70,189,581</b>	<b>8,416,058</b>	<b>3,165,585</b>	<b>7,909,883</b>	<b>31,910,072</b>	<b>17,384,607</b>	<b>138,975,786</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(444,153)</b>	<b>(334,182)</b>	<b>(153,603)</b>	<b>(7,902,883)</b>	<b>(29,066,819)</b>	<b>410,886</b>	<b>(37,490,754)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	177,421	-	-	-	-	(140,050)	37,371
Advances In	369,977	-	-	-	-	227,429	597,406
Proceeds from Sale of Capital Assets	193,336	-	-	-	-	-	193,336
Refund of Prior Year Expenditures	7,004	-	-	-	-	-	7,004
Transfers Out	(177,421)	-	-	-	-	140,050	(37,371)
Advances Out	(227,429)	-	-	-	-	(369,976)	(597,405)
<b>Total Other Financing Sources (Uses)</b>	<b>342,888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(142,547)</b>	<b>200,341</b>
<b>Net Change in Fund Balances</b>	<b>(101,265)</b>	<b>(334,182)</b>	<b>(153,603)</b>	<b>(7,902,883)</b>	<b>(29,066,819)</b>	<b>268,339</b>	<b>(37,290,413)</b>
<b>Fund Balance at Beginning of Year - Restated (Note 3)</b>	<b>8,467,385</b>	<b>6,361,785</b>	<b>9,472,111</b>	<b>14,298,476</b>	<b>38,907,167</b>	<b>3,907,507</b>	<b>81,414,431</b>
<b>Fund Balance at End of Year</b>	<b>\$8,366,120</b>	<b>\$6,027,603</b>	<b>\$9,318,508</b>	<b>\$6,395,593</b>	<b>\$9,840,348</b>	<b>\$4,175,846</b>	<b>\$44,124,018</b>

See Accompanying Notes to the Basic Financial Statements

**Hamilton City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$17,042,746	\$17,598,973	\$17,598,973	
Intergovernmental	51,051,581	50,644,533	50,644,533	
Interest	180,182	65,596	65,596	
Tuition and Fees	695,718	523,360	523,360	
Rent	18,463	39,736	39,736	
Extracurricular Activities	122,484	118,390	118,390	
Gifts and Donations	25,295	40,023	40,023	
Customer Sales and Services	133,420	139,068	139,068	
Payments in Lieu of Taxes	153,379	490,640	490,640	
Miscellaneous	33,525	85,109	85,109	
<b>Total Revenues</b>	<b>69,456,793</b>	<b>69,745,428</b>	<b>69,745,428</b>	
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	33,134,345	33,758,477	33,758,255	222
Special	6,971,335	8,789,010	8,789,089	(79)
Vocational	1,599,346	1,425,664	1,418,954	6,710
<b>Support Services:</b>				
Pupils	5,426,264	5,541,570	5,541,900	(330)
Instructional Staff	2,748,932	2,785,004	2,784,383	621
Board of Education	413,194	431,594	431,669	(75)
Administration	4,438,092	4,178,551	4,178,014	537
Fiscal	1,055,776	1,034,493	1,033,910	583
Business	429,188	409,058	408,641	417
Operation and Maintenance of Plant	7,636,768	7,999,186	7,996,609	2,577
Pupil Transportation	2,756,806	3,063,248	3,073,166	(9,918)
Central	813,983	779,968	779,854	114
<b>Operation of Non-Instructional Services:</b>				
Community Services	2,600			
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	126,750	127,314	127,314	
Sport Oriented Activities	627,103	633,884	633,884	
School and Public Service Co-Curricular Activities	21,168	17,316	17,316	
<b>Capital Outlay:</b>				
Building Acquisition and Construction Services	2,860	800	800	
Building Improvement Services	3,873			
<b>Total Expenditures</b>	<b>68,208,383</b>	<b>70,975,137</b>	<b>70,973,758</b>	<b>1,379</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,248,410</b>	<b>(1,229,709)</b>	<b>(1,228,330)</b>	<b>1,379</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	284,914	177,421	177,421	
Advances In	641,919	369,977	369,977	
Proceeds from Sale of Capital Assets	55,552	193,336	193,336	
Refund of Prior Year Expenditures	31,128	7,004	7,004	
Transfers Out	(187,990)	(177,421)	(177,421)	
Advances Out	(366,277)	(227,429)	(227,429)	
Refund of Prior Year Receipts	(5,384)			
<b>Total Other Financing Sources and Uses</b>	<b>453,862</b>	<b>342,888</b>	<b>342,888</b>	
<b>Net Change in Fund Balances</b>	<b>1,702,272</b>	<b>(886,821)</b>	<b>(885,442)</b>	<b>1,379</b>
<b>Fund Balance (Deficit) at Beginning of Year (Restated)</b>	<b>7,879,735</b>	<b>7,879,735</b>	<b>7,879,735</b>	
<b>Prior Year Encumbrances Appropriated</b>	<b>587,650</b>	<b>587,650</b>	<b>587,650</b>	
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$10,169,657</b>	<b>\$7,580,564</b>	<b>\$7,581,943</b>	<b>\$1,379</b>

**Hamilton City School District**  
Statement of Fiduciary Assets and Liabilities - Cash Basis  
Fiduciary Funds  
June 30, 2011

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	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$103,841	\$96,338
<i>Total Assets</i>	103,841	96,338
<b>Net Assets</b>		
Held in Trust for Scholarships	103,841	-
Held on Behalf of Students	-	96,338
<i>Total Net Assets</i>	\$103,841	\$96,338

See Accompanying Notes to the Basic Financial Statements

**Hamilton City School District**  
Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011

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	<u>Private Purpose</u> <u>Trust</u>
<b>Additions</b>	
Gifts and Donations	\$22,613
Interest	31
Miscellaneous	<u>9,290</u>
<i>Total Additions</i>	31,934
<b>Deductions</b>	
Miscellaneous	<u>36,889</u>
<i>Total Deductions</i>	<u>36,889</u>
<i>Change in Net Assets</i>	(4,955)
<i>Net Assets Beginning of Year (Restated)</i>	<u>86,043</u>
<i>Prior Year Encumbrances Appropriated</i>	22,753
<i>Net Assets End of Year</i>	<u><u>\$103,841</u></u>

See Accompanying Notes to the Basic Financial Statements

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**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

*Reporting Entity:*

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

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, and Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program. These organizations are presented in Note 15 to the basic financial statements.

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

As discussed further in the Basis of Accounting Section of Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

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

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

**Fund Accounting**

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

*Governmental Funds:*

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

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

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

*Building Construction Project Fund* – A fund used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

*Classroom Facilities Fund* – A fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

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

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

*Fiduciary Funds:*

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

**Basis of Accounting**

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

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

**Budgetary Process**

All funds, except the Agency Funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

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

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

**Cash and Investments**

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

During fiscal year 2011, the School District invested in Fifth Third Money Market accounts and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2011 were \$65,596 and \$186,650 was assigned to other School District funds. \$183,452 of the interest assigned to other funds was due to interest earnings on construction funds.

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

**Interfund Receivables/Payables**

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

**Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts for federal and State grants whose use is restricted to specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance**

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

*Non-spendable*

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

*Restricted*

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

*Committed*

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

*Assigned*

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

*Unassigned*

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

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

**Compensated Absences**

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

**Capital Assets**

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

**Long-Term Obligations**

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

**A. Change in Basis of Accounting**

For fiscal year 2011, the School District ceased to report using generally accepted accounting principles and reported on the cash basis of accounting as described in Note 2.

**B. Restatement of Fund Equity**

The implementation of this change had the following effects on fund equity of the major and non-major funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Permanent Improvement Fund</b>	<b>Building Program Fund</b>	<b>Ohio School Facilities Fund</b>	<b>Other Gov'tal Funds</b>	<b>Total Gov'tal Funds</b>
Balance June 30, 2010	(\$1,404,463)	\$6,630,073	\$9,201,508	\$11,055,641	\$31,704,009	\$2,241,500	\$59,428,268
Eliminate Asset Accruals	(23,119,951)	(8,781,457)	(3,030,267)	-	(1,884,187)	(1,015,146)	(37,831,008)
Eliminate Liability Accruals	32,730,366	8,513,169	3,300,870	3,242,835	9,087,345	2,942,586	59,817,171
Rest. Due to GASB 54	<u>261,433</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(261,433)</u>	<u>0</u>
Rest. Fund Bal. June 30, 2010	<u>\$8,467,385</u>	<u>\$6,361,785</u>	<u>\$9,472,111</u>	<u>\$14,298,476</u>	<u>\$38,907,167</u>	<u>\$3,907,507</u>	<u>\$81,414,431</u>

Net Assets - Restated

Governmental Activities Net Assets June 30, 2010	\$158,835,928
Eliminate Government Wide Financial Statement Adjustments:	
Accounts Receivable	(19,280)
Accrued Interest Receivable	(69,399)
Intergovernmental Receivable	(2,354,495)
Property Taxes Receivable	(34,930,085)
Inter-fund Loans Receivable	(369,977)
Due from Other Funds	(6,882)
Prepayments	(2,622)
Inventory of Supplies and Materials	(78,268)
Deferred Charges	(724,329)
Accounts Payable	471,193
Contracts Payable	8,596,328
Accrued Wages and Benefits Payable	11,624,864
Retainage Payable	1,849,663
Inter-fund Loans Payable	369,977
Intergovernmental Payable	202,565
Due to other Funds	6,882
Deferred Revenue	36,202,232
Non-depreciable Capital Assets	(87,042,386)
Depreciable Capital Assets, Net	(121,130,639)
Long Term Debt	<u>109,983,161</u>
Restated Governmental Activities Net Assets June 30, 2010	<u>\$81,414,431</u>

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 4 – FUND BALANCES**

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

<b>Fund Balances</b>	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Permanent Improvement Fund</b>	<b>Building Program Fund</b>	<b>Ohio School Facilities Fund</b>	<b>Other Gov't Funds</b>	<b>Total Gov't Funds</b>
<i>Non-spendable</i>							
Unclaimed Funds	72,671	0	0	0	0	0	72,671
<i>Restricted for</i>							
Debt Service Fund	0	\$6,027,603	0	0	0	0	\$6,027,603
Permanent Improvement Fund	0	0	142,539	0	0	0	142,539
Building Program Fund	0	0	0	6,395,593	0	0	6,395,593
Ohio School Facilities Fund	0	0	0	0	9,840,348	0	9,840,348
Food Service Fund	0	0	0	0	0	222,431	222,431
TV Hamilton Fund	0	0	0	0	0	29,574	29,574
Other Grants Fund	0	0	0	0	0	54,517	54,517
Character Education Fund	0	0	0	0	0	277	277
Classroom Facilities Maint. Fund	0	0	0	0	0	2,611,207	2,611,207
Student Activities Fund	0	0	0	0	0	94,622	94,622
Auxiliary Services Fund	0	0	0	0	0	106,236	106,236
Early Childhood Education Fund	0	0	0	0	0	6,893	6,893
Communications Fund	0	0	0	0	0	3,575	3,575
Miscellaneous State Grants Fund	0	0	0	0	0	1,055	1,055
Adult Basic Education Fund	0	0	0	0	0	4,235	4,235
Race to the Top Fund	0	0	0	0	0	26,478	26,478
Title VI-B Fund	0	0	0	0	0	225,508	225,508
Carl D. Perkins Fund	0	0	0	0	0	45,731	45,731
Title II D Technology Fund	0	0	0	0	0	53	53
Title III LEP Fund	0	0	0	0	0	860	860
Title I Fund	0	0	0	0	0	281,348	281,348
Improving Teacher Quality Fund	0	0	0	0	0	33,780	33,780
Miscellaneous Federal Grant Fund	0	0	0	0	0	186,925	186,925
<b>Total Restricted</b>	<b>0</b>	<b>6,027,603</b>	<b>142,539</b>	<b>6,395,593</b>	<b>9,840,348</b>	<b>3,935,305</b>	<b>26,341,388</b>
<i>Committed for</i>							
Permanent Improvement Fund	0	0	9,175,969	0	0	0	9,175,969
<i>Assigned to</i>							
Replacement Fund	0	0	0	0	0	33,196	33,196
Capital Projects Fund	0	0	0	0	0	207,345	207,345
Other Purposes	<u>784,175</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>784,175</u>
<b>Total Assigned</b>	<b>784,175</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240,541</b>	<b>1,024,716</b>
Unassigned (Deficit)	<u>7,509,274</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,509,274</u>
<b>Total Fund Balances</b>	<b><u>\$8,366,120</u></b>	<b><u>\$6,027,603</u></b>	<b><u>\$9,318,508</u></b>	<b><u>\$6,395,593</u></b>	<b><u>\$9,840,348</u></b>	<b><u>\$4,175,846</u></b>	<b><u>\$44,124,018</u></b>

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund.

	<u>Net Change in Fund Balance</u>
	<u>General</u>
Cash Basis	(\$101,265)
Adjustment for Encumbrances	<u>(784,177)</u>
Budget Basis	<u>(\$885,442)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Investments**

As of June 30, 2011 the School District had investments in STAR Ohio in the amount of \$41,978,811. The average maturity of STAR Ohio is 58 days. The Fifth Third Money Market Accounts are used as short term investments that are at or near the STAR Ohio rate of return.

<b>Financial Institution</b>	<b>Operating</b>	<b>Construction</b>	<b>Total</b>
Star Ohio	\$19,425,706	\$22,553,105	\$41,978,811
Fifth Third	<u>1,001,874</u>	<u>1,043,566</u>	<u>2,045,440</u>
Total	<u>\$20,427,580</u>	<u>\$23,596,671</u>	<u>\$44,024,251</u>

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 6 - DEPOSITS AND INVESTMENTS** (Continued)

*Interest Rate Risk:*

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

*Credit Risk:*

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

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

Tax Value Type	2010 2 <sup>nd</sup> Half Value	Percent of Tax Base	Effective Tax Rate	2011 1 <sup>st</sup> Half Value	Percent of Tax Base	Effective Tax Rate
Real Estate-Res/Agr	\$672,579,490	75.08%	33.68	\$672,098,300	75.85%	33.74
Real Estate-Com/Ind	219,968,590	24.56%	37.69	210,265,560	23.73%	38.38
Public Utility-RE	298,420	.03%	37.69	308,710	.03%	38.38
Public Utility-Personal	2,962,300	.33%	53.42	3,427,660	.39%	53.42
Total	\$895,808,800	100.00%		\$886,100,230	100.00%	

**NOTE 8 - INTERFUND ACTIVITY**

At June 30, 2011, the General Fund had an unpaid interfund cash advance, in the amount of \$227,429, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$369,977, for short-term loans made during fiscal year 2010.

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District was a member of the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program.

During fiscal year 2011, the School District, along with other school districts and educational service centers in Ohio, participated in the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program (Insurance Program), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Insurance Program (See Note 15). The School District contracts their liability insurance through the Insurance Program.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2010.

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 9 - RISK MANAGEMENT** (Continued)

**B. Employee Medical Benefits**

For fiscal year 2011, the School District participated in the Butler Health Plan, a shared risk pool consisting of 11 area school districts, 2 Career Development School Districts, one Board of Developmental Disabilities and an Educational Service Center. The School District pays monthly premiums to Butler Health Plan for employee medical and dental benefits. Butler Health is responsible for the management and operations of the program. Upon withdrawal from the Butler Health Plan, a participant is responsible for all claims that exceed the expected claims for that district for a defined period of time.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,153,378, \$1,992,046, and \$1,983,997, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

**B. State Teachers Retirement System of Ohio** (Continued)

to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,160,302, \$6,055,652, and \$6,145,150, respectively; 100 percent has been contributed for all three fiscal years.

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$189,889.

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll.

**B. State Teachers Retirement System of Ohio**

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

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 11 - POSTEMPLOYMENT BENEFITS** – (Continued)

**B. State Teachers Retirement System of Ohio** – (Continued)

employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Life Insurance**

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

**C. Dental Care**

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

**D. Vision Care**

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

**E. Deferred Compensation Plan**

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

<b>Purpose</b>	<b>Balance 7/1/10</b>	<b>FY 2011 Additions</b>	<b>FY 2011 Reductions</b>	<b>Balance 6/30/11</b>
School Improvement	\$11,615,000	-	\$1,420,000	\$10,195,000
Refunding Bonds	22,220,000	-	235,000	21,985,000
School Improvement	68,775,000	-	1,620,000	67,155,000
<b>Totals</b>	<b>\$102,610,000</b>	<b>\$-</b>	<b>\$3,275,000</b>	<b>\$99,335,000</b>

*School Improvement Bonds*

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

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

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2011, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Total FY Payments</b>
FY 2012	3,465,000	4,861,209	\$8,326,209
FY 2013	3,495,000	4,689,938	8,184,938
FY 2014	3,660,000	4,511,036	8,171,036
FY 2015	3,725,000	4,335,363	8,060,363
FY 2016	3,925,000	4,108,891	8,033,891
FY 2017 to FY 2021	20,940,000	19,733,990	40,673,990
FY 2022 to FY 2026	25,825,000	11,324,313	37,149,313
FY 2027 to FY 2031	17,300,000	6,271,219	23,571,219
FY 2032 to FY 2035	17,000,000	1,751,750	18,751,750
<b>Totals</b>	<b>\$99,335,000</b>	<b>\$61,587,709</b>	<b>\$160,922,709</b>

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE**

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

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2011.

Fiscal Year Ending June 30,	Total Payments
2012	\$126,804
2013	126,804
2014	126,804
2015	126,804
2016	63,402
Total minimum lease payments	570,618

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

*Southwest Ohio Computer Association:*

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$304,928 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Southwestern Ohio Educational Purchasing Council:*

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL** – (Continued)

**A. Jointly Governed Organizations** – (Continued)

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

Payments to the SOEPC are made from the General Fund. During fiscal year 2011, the School District paid \$4,101 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

*Southwestern Ohio Instructional Technology Association:*

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2011, the School District paid \$4,246 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**B. Insurance Purchasing Pools**

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

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

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL** – (Continued)

**B. Insurance Purchasing Pools** – (Continued)

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

**NOTE 16 - SET-ASIDE CALCULATIONS**

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

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

	Textbooks and Instructional Materials	Capital Improvements
	<u>                    </u>	<u>                    </u>
Set-aside Reserve Balance as of		
June 30, 2010	\$0	\$0
Current Fiscal Year Set-aside Requirement	1,407,414	1,407,414
Qualifying Disbursements	(1,619,858)	(38,625,790)
Current Fiscal Year Offsets	0	0
Totals	<u>(\$212,444)</u>	<u>(\$37,218,376)</u>
Set-aside Balance Carried Forward to		
Future Fiscal Years	<u>(\$212,444)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 16 - SET-ASIDE CALCULATIONS – (Continued)**

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

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

**NOTE 18 - COMPLIANCE**

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

**NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS**

**A. Changes in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is

**Hamilton City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS** – (Continued)

**A. Changes in Accounting Principles** – (Continued)

bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds of the School District's financial statements.

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**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2011	10.555		\$89,491		\$89,491
Cash Assistance:						
National School Breakfast Program	2011	10.553	\$1,140,671		\$1,140,671	
National School Lunch Program	2011	10.555	2,322,410		2,322,410	
Summer Food Service Program for Children	2011	10.559	28,551		28,551	
Total Child Nutrition Cluster			<u>3,491,632</u>	<u>89,491</u>	<u>3,491,632</u>	<u>89,491</u>
Total U.S. Department of Agriculture			<u>3,491,632</u>	<u>89,491</u>	<u>3,491,632</u>	<u>89,491</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Learn & Serve America-School & Community Based Programs	2011	94.004	2,826		2,699	
Total Corporation for National and Community Service			<u>2,826</u>		<u>2,699</u>	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States						
	2011	84.027	1,628,936		1,440,992	
	2010	84.027	110,488		278,170	
ARRA - Special Education - Grants to States						
	2011	84.391	287,919		250,333	
	2010	84.391	(140,049)		(18,563)	
Total Special Education Grants to States			<u>1,887,294</u>		<u>1,950,932</u>	
Special Education - Preschool Grants						
	2011	84.173	60,946		76,887	
	2010	84.173	6,111		15,909	
ARRA - Special Education - Preschool Grant						
	2010	84.392	10,549		18,323	
Total Special Education - Preschool Grants			<u>77,606</u>		<u>111,119</u>	
Total Special Education Cluster			<u>1,964,900</u>		<u>2,062,051</u>	
Title I Grants to Local Educational Agencies						
	2011	84.010	2,878,602		2,650,759	
	2010	84.010	17,633		310,401	
ARRA - Title I Grants to Local Educational Agencies						
Total Title I Grants to Local Educational Agencies	2011	84.389	441,087		410,326	
			<u>3,337,322</u>		<u>3,371,486</u>	
Adult and Basic Education						
	2011	84.002	172,514		172,514	
	2010	84.002	-		26,983	
Total Adult and Basic Education			<u>172,514</u>		<u>199,497</u>	
Career & Technical Education-Basic Grants to States						
	2011	84.048	193,279		150,743	
	2010	84.048	12,083		45,212	
Total Career & Technical Education-Basic Grants to States			<u>205,362</u>		<u>195,955</u>	
Safe and Drug-Free Schools and Communities	2010	84.186	-		2,144	
Education of Homeless Children and Youth Cluster:						
Education of Homeless Children and Youth						
	2011	84.196	30,326		30,051	
ARRA - Education of Homeless Children and Youth						
	2011	84.387	17,118		17,118	
Total Education of Homeless Children and Youth Cluster			<u>47,444</u>		<u>47,169</u>	

(Continued)

**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011  
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Fund for the Improvement of Education: Teaching Traditional History	2011	84.215	180,848		160,356	
Fund for the Improvement of Education: Teaching Traditional History	2009	84.215	(2,196)		41,306	
Fund for the Improvement of Education: Teaching Traditional History	2008	84.215	(2,755)		-	
Total Fund for the Improvement of Education			<u>175,897</u>		<u>201,662</u>	
Education Technology State Grants	2011	84.318	10,863		11,189	
	2010	84.318	5,269		1,218	
			<u>16,132</u>		<u>12,407</u>	
English Language Acquisition Grants	2011	84.365	105,360		104,495	
	2010	84.365	(1,784)		-	
Total English Language Acquisition Grants			<u>103,576</u>		<u>104,495</u>	
Improving Teacher Quality State Grants	2011	84.367	774,697		740,913	
	2010	84.367	53,319		139,886	
	2009	84.367	-		1,841	
Total Improving Teacher Quality State Grants			<u>828,016</u>		<u>882,640</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	4,054,325		4,054,325	
ARRA - Race to the Top	2011	84.395	251,714		225,234	
Total U.S. Department of Education			<u>11,157,202</u>		<u>11,359,065</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$14,651,660</b></u>	<u><b>\$89,491</b></u>	<u><b>\$14,853,396</b></u>	<u><b>\$89,491</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Hamilton City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E – REFUND OF GRANT MONEY**

During fiscal year 2011, the District refunded grant money after expiration of the period of availability. The District refunded \$2,755 from grant year 2008 and \$2,196 from grant year 2009 for the Teaching Traditional History Grant (CFDA #84.215).

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
Special Education Grants to States - ARRA	84.391	\$140,050

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hamilton City School District  
Butler County  
533 Dayton Street  
Hamilton, Ohio 45012

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-02 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 27, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

February 27, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Hamilton City School District  
Butler County  
533 Dayton Street  
Hamilton, Ohio 45012

To the Board of Education:

### Compliance

We have audited the compliance of Hamilton City School District, Butler County, Ohio (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 could directly and materially affect each of Hamilton City School District's major federal programs for the year ended June 30, 2011. 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.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. 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 Hamilton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-03.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 27, 2012.

We intend this report solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 27, 2012

**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes

<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.394: ARRA – State Fiscal Stabilization Fund-Education  Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.391: ARRA – Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants CFDA #84.392: ARRA – Special Education-Preschool Grants  CFDA #84.010: Title I CFDA #84.389: ARRA – Title I  CFDA #84.367: Improving Teacher Quality  Nutrition Cluster: CFDA #10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program CFDA #10.559: Summer Food Service Program for Children
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 448,286 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-01**

**Noncompliance**

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

**FINDING NUMBER 2011-01  
(Continued)**

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

**Officials' Response:**

The district made a conscious decision to move away from GAAP reporting due to the cost of preparing the report. As a result of that decision the district reduced one full-time position out of the Treasurer's office and reallocated the other job duties for the position that was cut. The annual savings is \$70,000 and while it is not something we wanted to do, these difficult financial times caused us to make this decision.

**FINDING NUMBER 2011-02**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District did not properly report financial activity in the annual financial report for the fiscal year ended June 30, 2011. We noted the following errors:

- The District incorrectly reported Fund 024 [Self Insurance] as part of Other Governmental Funds rather than the General Fund [revenues of \$107,602; expenditures of \$100,249; ending fund balance of \$39,601].
- The District incorrectly reported the portion of the General Fund balance reserved for encumbrances as unassigned fund balance rather than assigned fund balance [difference of \$592,540].
- The District incorrectly reported the fund balance for Fund 300 [Student Activities] as assigned fund balance rather than restricted fund balance [difference of \$94,622].
- The District incorrectly reported the fund balance for Fund 007-9001 [Unclaimed Monies] as unassigned fund balance rather than nonspendable fund balance [difference of \$72,671].

These adjustments have been posted to the accompanying financial statements. Failure to properly report financial activity can result in inaccurate financial statements. The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of financial activity we recommend that the District properly report all financial activity. The District should develop review procedures over the reporting of District financial activity.

**FINDING NUMBER 2011-02  
 (Continued)**

**Officials' Response:**

The district is in its first year reporting on this model and appreciates the help and guidance that we have received from the Auditor's office in this new endeavor. We will take these items into account as we prepare the FY12 financial reports.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**FINDING NUMBER 2011-03**

**Noncompliance/Significant Deficiency – 1512 Vendor Reporting**

<b>CFDA Title and Number</b>	ARRA-Special Education-Grants to States, CFDA #84.391
<b>Federal Award Number/Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c)** require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2011, the District had the following single payments from ARRA funds in excess of \$25,000 which were not reported to ODE on the 1512 ARRA Subrecipient Vendor report:

- A purchase of a "special needs" bus in the amount of \$84,680 from Special Ed funds.
- A purchase of library books and materials in the amount of \$40,895 from Special Ed funds.

These purchases were not reported to ODE on the 1512 ARRA Subrecipient Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding. We recommend that the District report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report.

**FINDING NUMBER 2011-03  
(Continued)**

**Officials' Response:**

The district will incorporate this recommendation into any future reporting of ARRA Funds.

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HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Failure to properly report financial activity in the comprehensive annual financial report.	No	Not Corrected; re-issued as Finding 2011-02

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**HAMILTON CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FISCAL YEAR ENDED JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	The School District will insure that all future ARRA SECTION 1512 (b) and (C) vendor reporting will be done correctly by incorporating the recommendation into the reporting process.	2-27-12	Robert Hancock

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hamilton City School District  
Butler County  
533 Dayton Street  
Hamilton, Ohio 45012

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Hamilton City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 24, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 27, 2012

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# Dave Yost • Auditor of State

HAMILTON CITY SCHOOL DISTRICT

BUTLER COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 20, 2012