

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2005

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





**Auditor of State
Betty Montgomery**

Board of Education
Hamilton Local School District
1055 Rathmell Road
Columbus, Ohio 43207

We have reviewed the *Independent Auditor's Report* of the Hamilton Local School District, Franklin County, prepared by J. L. Uhrig and Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 6, 2006

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HAMILTON LOCAL SCHOOL DISTRICT

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Independent Auditor's Report

Board of Education
Hamilton Local School District
1055 Rathmell Road
Columbus, Ohio 43207

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did audit the financial statements of the Hamilton Local Digital Academy, the discretely presented component unit.

Except as discussed in the third paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the financial data of the Hamilton Boosters Club, a discretely presented component unit, which should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

Management's Discussion and Analysis on pages 4 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 22, 2005

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Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

As management of the Hamilton Local School District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$ 5.9 (net assets).
- Program revenues accounted for \$ 2.8 million or 11% of total revenues, and general revenues accounted for \$ 22.2 million, or 89%.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 5 million, an increase of \$ 1.4 million, or 38% in comparison with the prior year. Of this total amount, \$3.1 million is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

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

The District maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general and construction funds which are considered major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation.

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

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

Proprietary Funds

The Hamilton Local School District's only proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Hamilton Local School District's various functions. The internal service fund is used to account for its Bureau of Worker's Compensation premiums and the board share of employee retirement contributions. Since the internal service fund exclusively benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 5.9 million at the close of the most recent fiscal year.

A large portion of the District's net assets, totaling \$2 million, reflects unrestricted assets. These represent resources which have no obligations and available to be spent by the District at their discretion. Another significant portion of the District's net assets totaling \$3.9 million is restricted. The majority of this restricted balance is for capital projects.

	District Net Assets	
	2005	Restated 2004
	<u>2005</u>	<u>2004</u>
Current Assets	\$ 17,128,657	\$ 16,034,070
Capital Assets	15,734,838	16,138,397
Total Assets	<u>32,863,495</u>	<u>32,172,467</u>
Current Liabilities	10,780,046	10,421,503
Long-Term Liabilities	16,208,031	16,892,649
Total Liabilities	<u>26,988,077</u>	<u>27,314,152</u>
Net Assets:		
Invested in Capital Assets, net of related debt	39,019	(300,435)
Restricted	3,863,486	4,321,690
Unrestricted	1,972,913	837,060
Total Net Assets	<u>\$ 5,875,418</u>	<u>\$ 4,858,315</u>

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Governmental Activities

The District's net assets increased by \$ 1 million, or 21%. Key elements of this increase are as follows:

**Changes in Net Assets
Governmental Activities**

	<u>2005</u>	<u>Restated 2004</u>
Revenues:		
Program Revenues		
Charges for Services	\$ 1,125,424	\$ 933,785
Operating Grants	<u>1,715,946</u>	<u>2,079,263</u>
Total Program Revenues	2,841,370	3,013,048
General Revenues		
Property Taxes	8,451,670	7,984,227
Grants and Entitlements	12,971,330	12,924,919
Other Revenue	<u>826,805</u>	<u>900,127</u>
Total General Revenue	<u>22,249,805</u>	<u>21,809,273</u>
Total Revenues	<u><u>25,091,175</u></u>	<u><u>24,822,321</u></u>
Expenses:		
Program Expenses		
Instruction	12,611,999	12,813,802
Support Services	9,030,453	8,964,763
Non-Instructional	1,003,850	968,631
Extra Curricular Activities	660,382	654,489
Interest and Fiscal Charges	759,571	717,716
Miscellaneous	<u>7,817</u>	<u>15,873</u>
Total Expenses	<u><u>24,074,072</u></u>	<u><u>24,135,274</u></u>
Changes in Net Assets	\$ 1,017,103	\$ 687,047
Beginning Net Assets	<u>4,858,315</u>	<u>4,171,268</u>
Ending Net Assets	<u><u>\$ 5,875,418</u></u>	<u><u>\$ 4,858,315</u></u>

Total revenues for governmental activities increased \$268,854, or 1% over the last year and expenses decreased \$61,202, or 0.3% over last year.

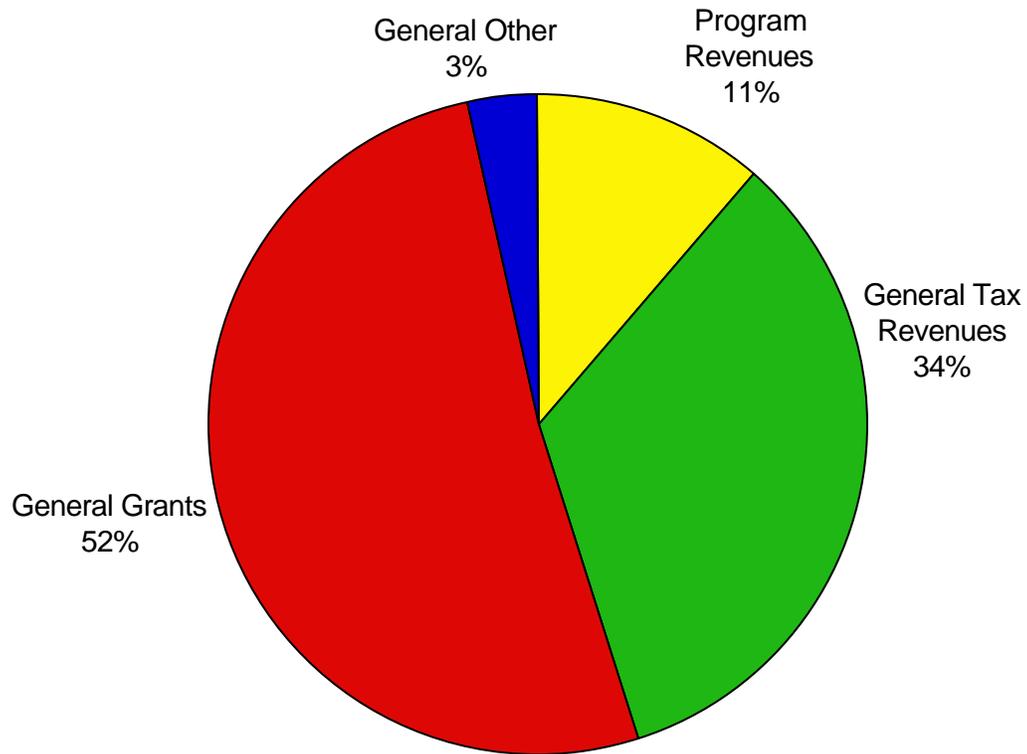
The District's program and general revenues and expenses were consistent with the previous year.

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

	Total Cost of Services 2005	Net Cost of Services 2005	Restated Total Cost of Services 2004	Restated Net Cost of Services 2004
Program Expenses				
Instruction				
Regular	\$ 9,118,585	\$ 8,824,581	\$ 9,459,046	\$ 9,112,746
Special	1,930,138	1,490,088	2,094,569	1,179,295
Vocational	529,503	522,765	524,399	524,399
Other	1,033,773	1,033,773	735,788	735,788
Support Services				
Pupil	977,410	840,143	831,882	831,882
Instructional Staff	641,734	211,834	543,634	424,353
Board of Education	86,007	84,910	358,940	358,940
Business	2,870	2,870		
Administration	1,990,058	1,755,305	2,068,283	1,474,453
Fiscal Services	2,043,225	1,885,840	1,912,870	1,912,870
Maintenance	2,428,955	2,394,450	2,237,989	2,237,989
Pupil Transportation	817,283	808,389	979,408	979,408
Central	42,911	42,462	31,757	31,757
Noninstructional Activities	1,003,850	110,938	968,631	186,085
Extracurricular Activities	660,382	456,966	654,489	398,672
Interest and Fiscal Charges	759,571	759,571	717,716	717,716
Miscellaneous	<u>7,817</u>	<u>7,817</u>	<u>15,873</u>	<u>15,873</u>
Total Expense	<u>\$ 24,074,072</u>	<u>\$ 21,232,702</u>	<u>\$ 24,135,274</u>	<u>\$ 21,122,226</u>

Hamilton Local School District
Management's Discussion & Analysis
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The District's reliance upon tax revenues is demonstrated by the graph above indicating 34% of total revenues from tax revenues. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$21.2 million of support, as well as the graph above, indicating general revenues comprise 89% of total revenues.

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
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Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5 million, an increase of \$1.4 million in comparison with the prior year. Approximately 62% of this amount (\$3.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$219,693) or for a variety of other restricted purposes (\$ 1.7 million).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2005 and 2004.

	Fund Balance	Restated Fund Balance	Increase
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>(Decrease)</u>
General	\$ 1,170,810	\$ (572,263)	\$ 1,743,073
Construction	2,775,222	2,864,704	(89,482)
Other Governmental	<u>1,018,011</u>	<u>1,303,656</u>	<u>(285,645)</u>
Total	<u>\$ 4,964,043</u>	<u>\$ 3,596,097</u>	<u>\$ 1,367,946</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$178,600, while total fund balance was \$1.2 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 6.2% of total general fund expenditures.

The District's general fund balance increased by \$ 1.7 million during the current fiscal year. The table that follows assists in illustrating the financial activities and balance of the general fund.

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

General Fund Revenue Comparative Analysis

Revenues	2005 Amount	2004 Amount	Percentage Change
Taxes	\$ 6,757,786	\$ 6,462,601	5%
Intergovernmental	13,508,050	13,473,402	0%
Interest	68,324	26,571	157%
Tuition and Fees	98,404	69,701	41%
Extracurricular	37,920	-	0%
Other	238,784	109,766	118%
Total	<u>\$ 20,709,268</u>	<u>\$ 20,142,041</u>	3%

Tax revenues of the general fund increased \$ 295,185, or 5%. Tuition and Fees and Extracurricular revenues increased in total by \$66,623, which is the result of the district implementing pay-to-play fees and increasing student fees to help defray increasing education costs.

The District's general fund expenditures decreased \$ 0.6 million, or 3.1 %, from the prior year, which is the result of the District's efforts to control spending.

General Fund Budget Information

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

The District's original and final amended appropriations remained unchanged throughout the year. The District's appropriations exceeded actual expenditures plus encumbrances balance by \$1,843,727.

For the General Fund, the final budget basis revenue was \$21,387,453, representing a \$133,882 increase from the original budget estimate. The final budget reflected only a 0.63% increase from the original budget amount.

Capital Assets

The District's investment in capital assets as of June 30, 2005, amounts to \$ 15,734,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current fiscal year were \$ 497,101 and depreciation was \$ 882,660. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

Hamilton Local School District
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30, 2005, the District had \$ 15.7 million in outstanding bonds payable. The District paid \$650,000 in principal on bonds outstanding during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 13).

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

Restrictions and Other Limitations

A major challenge facing the District is the future of state funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Contacting the District's Financial Management

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

	Primary Government Governmental Activities	Component Unit Hamilton Local Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 7,167,592	\$ 201,770
Investments	491,720	-
Receivables:		
Taxes	9,232,909	-
Accounts	28,209	-
Intergovernmental	185,699	-
Inventory Held for Resale	22,528	-
Nondepreciable Capital Assets	287,699	-
Depreciable Capital Assets, Net	15,447,139	97,874
Total Assets	32,863,495	299,644
Liabilities		
Accounts Payable	778,153	27,370
Accrued Salaries Payable	1,861,547	-
Intergovernmental Payable	1,801,363	-
Deferred Revenue	6,338,983	-
Long-Term Liabilities		
Due within One Year	808,225	-
Due in More Than One Year	15,399,806	-
Total Liabilities	26,988,077	27,370
Net Assets		
Invested in Capital Assets, Net of Related Debt	39,019	97,874
Restricted for:		
Debt Service	423,854	-
Capital Projects	3,439,632	-
Unrestricted	1,972,913	174,400
Total Net Assets	\$ 5,875,418	\$ 272,274

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Hamilton Local Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 9,118,585	\$ 199,902	\$ 94,102	\$ (8,824,581)	\$ -
Special Instruction	1,930,138	24,739	415,311	(1,490,088)	-
Vocational Instruction	529,503	6,738	-	(522,765)	-
Other Instruction	1,033,773	-	-	(1,033,773)	-
Support Services					
Pupils	977,410	10,254	127,013	(840,143)	-
Instructional Staff	641,734	4,979	424,921	(211,834)	-
Board of Education	86,007	1,097	-	(84,910)	-
Business	2,870	-	-	(2,870)	-
Administration	1,990,058	108,041	126,712	(1,755,305)	-
Fiscal Services	2,043,225	25,388	131,997	(1,885,840)	-
Maintenance	2,428,955	22,663	11,842	(2,394,450)	-
Pupil Transportation	817,283	8,362	532	(808,389)	-
Central	42,911	449	-	(42,462)	-
Non-instructional	1,003,850	509,396	383,516	(110,938)	-
Extra Curricular Activities	660,382	203,416	-	(456,966)	-
Interest and Fiscal Charges	759,571	-	-	(759,571)	-
Miscellaneous	7,817	-	-	(7,817)	-
Total Governmental Activities	\$ 24,074,072	\$ 1,125,424	\$ 1,715,946	\$ (21,232,702)	\$ -
Component Unit					
Hamilton Local Digital Academy	299,183	-	299,375	-	192
Total Component Unit	299,183	-	299,375	-	192
General Revenues					
Property Taxes Levied for:					
General Purposes				6,629,139	-
Debt Service				1,380,890	-
Capital Projects				441,641	-
Grants & Entitlements not Restricted				12,971,330	210,182
Payment in Lieu of Taxes				699,832	-
Investment Earnings				126,973	-
Total General Revenues				22,249,805	210,182
Change in Net Assets				1,017,103	210,374
Net Assets Beginning of Year, Restated (Note 20)				4,858,315	61,900
Net Assets End of Year				\$ 5,875,418	\$ 272,274

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,486,896	\$ 2,775,222	\$ 1,483,090	\$ 6,745,208
Investments	491,720	-	-	491,720
Receivables:				
Taxes	7,520,116	-	1,712,793	9,232,909
Accounts	21,050	-	7,159	28,209
Intergovernmental	11,951	-	173,748	185,699
Inventory Held for Resale	-	-	22,528	22,528
Interfund Receivable	299,502	-	28,655	328,157
Due From Other Funds	194,862	-	-	194,862
Total Assets	<u>11,026,097</u>	<u>2,775,222</u>	<u>3,427,973</u>	<u>17,229,292</u>
Liabilities:				
Accounts Payable	255,959	-	522,194	778,153
Accrued Salaries Payable	1,703,756	-	157,791	1,861,547
Intergovernmental Payable	1,236,262	-	1,872	1,238,134
Due to Other Funds	-	-	194,862	194,862
Interfund Payable	435,295	-	53,666	488,961
Deferred Revenue	6,183,805	-	1,479,577	7,663,382
Compensated Absences Payable	40,210	-	-	40,210
Total Liabilities	<u>9,855,287</u>	<u>-</u>	<u>2,409,962</u>	<u>12,265,249</u>
Fund Balances:				
Reserved				
Encumbrances	13,099	450	206,144	219,693
Supplies Inventory	-	-	22,528	22,528
Property Taxes	1,336,311	-	304,360	1,640,671
Unreserved, Reported in:				
General Fund	(178,600)	-	-	(178,600)
Special Revenue Funds	-	-	(242,655)	(242,655)
Debt Service Fund	-	-	200,500	200,500
Capital Project Funds	-	2,774,772	527,134	3,301,906
Total Fund Balances	<u>1,170,810</u>	<u>2,775,222</u>	<u>1,018,011</u>	<u>4,964,043</u>
Total Liabilities and Fund Balances	<u>\$ 11,026,097</u>	<u>\$ 2,775,222</u>	<u>\$ 3,427,973</u>	<u>\$ 17,229,292</u>

See accompanying notes to the financial statements

Hamilton Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balances	\$	4,964,043
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,734,838
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		1,324,399
Internal service funds are used by management to charge costs of the employer share of payroll related costs and self insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		19,959
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Compensated Absence Payable	(472,003)
	General Obligation Debt	(15,695,818)
		<u>(16,167,821)</u>
 Net Assets of Governmental Activities	 \$	 <u>5,875,418</u>

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 6,757,786	\$ -	\$ 1,859,382	\$ 8,617,168
Intergovernmental	13,508,050	-	1,962,345	15,470,395
Charges for Services	-	-	478,137	\$ 478,137
Interest	68,324	58,649	-	126,973
Tuition and Fees	98,404	-	19,913	118,317
Extracurricular Activities	37,920	-	111,605	149,525
Other	238,784	-	140,661	379,445
Total Revenues	20,709,268	58,649	4,572,043	25,339,960
Expenditures:				
Current:				
Instruction:				
Regular	7,885,842	-	489,618	8,375,460
Special	1,362,314	-	542,749	1,905,063
Vocational	525,421	-	245	525,666
Other	1,033,773	-	-	1,033,773
Support services:				
Pupils	806,468	-	158,712	965,180
Instructional Staff	401,216	-	180,104	581,320
Board of Education	86,007	-	-	86,007
Business	-	-	311	311
Administration	1,613,999	-	399,277	2,013,276
Fiscal	1,971,102	-	25,958	1,997,060
Operation and Maintenance of Plant	1,903,568	-	572,285	2,475,853
Pupil Transportation	726,122	-	17,716	743,838
Central	38,702	-	-	38,702
Non-instructional Services	-	-	982,562	982,562
Extracurricular Activities	477,217	-	208,365	685,582
Capital Outlay	-	148,131	-	148,131
Debt service:				
Principal Retirement	-	-	650,000	650,000
Interest and Fiscal Charges	-	-	759,571	759,571
Total Expenditures	18,831,751	148,131	4,987,473	23,967,355
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,877,517	(89,482)	(415,430)	1,372,605
Other financing sources (uses):				
Other Financing Uses	-	-	(7,817)	(7,817)
Transfers In	-	-	134,444	134,444
Transfers Out	(134,444)	-	-	(134,444)
Total other financing sources (uses)	(134,444)	-	126,627	(7,817)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,743,073	(89,482)	(288,803)	1,364,788
Fund Balance Beginning of Year, Restated (Note 20)	(572,263)	2,864,704	1,303,656	3,596,097
Change in Inventory	-	-	3,158	3,158
Fund Balance End of Year	\$ 1,170,810	\$ 2,775,222	\$ 1,018,011	\$ 4,964,043

See accompanying notes to the financial statements

Hamilton Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 1,364,788**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (403,559)

Internal service funds are used by management to charge costs of the employer share of payroll related costs and self insurance to individual funds. The expenditures of the internal service funds are included in governmental activities in the statement of net assets. (327,484)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (248,785)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 650,000

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

Change in Compensated Absences	(21,015)
Change in Inventory	<u>3,158</u>

Change in Net Assets of Governmental Activities **\$ 1,017,103**

See accompanying notes to the financial statements

HAMILTON LOCAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)
General Fund
For the fiscal year ended June 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
Revenues:				
Total Revenues	\$ 21,253,571	\$ 21,387,453	\$ 20,943,604	\$ (443,849)
Expenditures:				
Current:				
Instruction:				
Regular	8,391,185	8,391,185	8,016,434	374,751
Special	1,630,950	1,630,950	1,379,877	251,073
Vocational	525,000	525,000	499,810	25,190
Other	805,860	805,860	1,066,631	(260,771)
Support Services:				
Pupils	839,301	839,301	814,546	24,755
Instructional Staff	632,451	632,451	438,351	194,100
Board of Education	365,000	365,000	386,198	(21,198)
Administration	1,746,365	1,746,365	1,570,023	176,342
Fiscal	2,228,460	2,228,460	1,850,683	377,777
Operation and Maintenance of Plant	2,122,973	2,122,973	1,812,978	309,995
Pupil Transportation	812,238	812,238	699,638	112,600
Central	29,000	29,000	35,136	(6,136)
Extracurricular Activities	756,606	756,606	471,357	285,249
Total Expenditures	20,885,389	20,885,389	19,041,662	1,843,727
Excess of Revenues Over (Under) Expenditures	368,182	502,064	1,901,942	1,399,878
Other Financing Sources (Uses):				
Transfers -In	-	-	57,900	57,900
Advances - In	-	-	251,063	251,063
Transfers -Out	-	-	(134,444)	(134,444)
Advances - Out	-	-	(194,862)	(194,862)
Total Other Financing Sources (Uses)	-	-	(20,343)	(20,343)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	368,182	502,064	1,881,599	1,379,535
Fund Balances at Beginning of Year	577,793	577,793	577,793	-
Prior Year Encumbrances Appropriated	412,971	412,971	412,971	-
Fund Balances at End of Year	\$ 1,358,946	\$ 1,492,828	\$ 2,872,363	\$ 1,379,535

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF JUNE 30, 2005**

	Governmental Activities - Internal Service Funds
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 422,384
Interfund Receivable	488,961
Total Current Assets	<u>911,345</u>
Current Liabilities	
Intergovernmental Payable	563,229
Interfund Payable	328,157
Total Current Liabilities	<u>891,386</u>
Net Assets	
Unrestricted	19,959
Total Net Assets	<u>\$ 19,959</u>

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Funds
Operating Revenues:	
Charges for Services	\$ 1,978,190
Miscellaneous	96,803
Total Operating Revenues	<u>2,074,993</u>
Operating Expenses:	
Fringe Benefits	2,025,535
Purchased Services	376,942
Total Operating Expenses	<u>2,402,477</u>
Operating Income (Loss)	(327,484)
Net Assets at Beginning of Year	347,443
Net Assets at End of Year	<u><u>\$ 19,959</u></u>

See accompanying notes to the financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Funds
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 1,978,190
Cash Paid for Goods and Services	(2,347,813)
Net cash used by operating activities	(369,623)
Net Increase (Decrease) in Cash and Cash Equivalents	(369,623)
Cash and Cash Equivalents at Beginning of Year	792,007
Cash and Cash Equivalents at End of Year	\$ 422,384
 Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Operating Income/(Loss)	\$ (327,484)
 Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Change in Assets and Liabilities	
(Increase) in Interfund Receivable	(146,011)
(Decrease) in Accounts Payable	(3,906)
Increase in Intergovernmental Payable	58,570
(Increase) in Interfund Payable	49,208
Total Adjustments	(42,139)
Net Cash Used by Operating Activities	\$ (369,623)

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2005

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 68,431
Total Assets	<u>68,431</u>
Liabilities	
Accounts Payable	1,539
Due to Students	66,892
Total Liabilities	<u>\$ 68,431</u>

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1 - NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY

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

Average daily membership (ADM) as of October 1, 2004, was 3,003. The District employed 226 certified employees and 85 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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

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

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

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

The District is involved with the Metropolitan Educational Council (MEC), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 14.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

Governmental Fund Types:

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

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

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

Other Governmental Funds – Other Governmental Funds consist of nonmajor special revenue, debt service and capital project funds. The special revenue funds are established to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those accounted for by the construction fund.

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

Fiduciary Fund Types:

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses.

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

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Internal Service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into net asset components. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. Basis of Accounting

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Expenditures/Expenses

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

D. Cash and Investments

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Inventory

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

F. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of capital assets. Interest is expensed as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$700. The District does not possess any infrastructure.

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

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

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

Major - General Fund:

Entitlements:

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

Reimbursable Grants:

- Driver Education
- Telecommunications Act Grant
- Vocational Education

Non-major governmental funds:

Non-Reimbursable Grants:

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

Reimbursable Grants:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 60% of the District's operating revenue during the 2005 fiscal year.

H. Interfund Activity

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

K. Fund Balance Reserves

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

L. Encumbrances

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

M. Estimates

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Fund Deficits

Primarily due to the application of generally accepted accounting principles, the following funds had a deficit fund balance as of June 30, 2005:

<u>Fund</u>	<u>Deficit Balance</u>
Food Service	\$ (94,952)
District-Managed Activities	(124,155)
IDEA Part B	(53,485)
Title I	\$ (64,392)

Budgetary Noncompliance

The District had estimated resources that exceeded actual revenues in the General Fund and Food Service, District Managed Activities, IDEA Part B, Title I, and Improving Teacher Quality Special Revenue Funds.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

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

	<u>General Fund</u>
GAAP Basis	\$ 1,743,073
Revenue Accruals	234,336
Expenditure Accruals	18,710
Encumbrances	(114,520)
Budget Basis	<u>\$ 1,881,599</u>

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Deposits

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

At fiscal year-end, the carrying amount of the District's deposits was \$473,814 and the bank balance was \$510,368. Based on the criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of June 30, 2005, \$410,368 of the District's bank balance of \$510,368 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Six Months Or Less</u>	<u>Twenty Months</u>
Federal Agency Securities	\$ 491,720	\$ -	\$ 491,720
Money Market Mutual Fund	3,466,720	3,466,720	-
STAROhio	<u>3,295,489</u>	<u>3,295,489</u>	<u>-</u>
	<u>\$ 7,253,929</u>	<u>\$ 6,762,209</u>	<u>\$ 491,720</u>

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

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The District's Federal Agency Securities were rated "AAA" and "Aaa" by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAROhio a "AAAm" money market rating. The District's money market mutual fund is not rated.

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

	<u>Fair Value</u>	<u>% To Total</u>
Federal Agency Securities	491,720	7%
Money Market Mutual Fund	3,466,720	48%
STAROhio	<u>3,295,489</u>	<u>45%</u>
Total	<u>\$ 7,253,929</u>	<u>100%</u>

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. First half collections are received by the District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property as 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Calendar Year 2004</u>		<u>Calendar Year 2005</u>	
	<u>Second Half Collections</u>		<u>First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property - Agricultural / Residential	\$ 128,936,320	50.13%	\$ 129,910,430	50.15%
Real Property - Commercial / Industrial	64,471,020	25.06%	65,042,490	25.11%
Real Property - Public Utilities	123,730	0.05%	122,160	0.05%
Personal Property - General	51,077,856	19.86%	51,538,767	19.90%
Personal Property - Public Utilities	<u>12,609,600</u>	<u>4.90%</u>	<u>12,434,480</u>	<u>4.80%</u>
Total Assessed Values	<u>\$ 257,218,526</u>	<u>100.00%</u>	<u>\$ 259,048,327</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 53.65		\$ 53.43

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

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

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2005 second-half property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2005 was \$1,640,671.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund

Homstead and Rollback	\$	11,951
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Other Governmental Funds:

Food Service	41,040
Winner's League Grant	14,170
Homstead and Rollback	1,867
State Grant	9,345
Title I	48,345
IDEA, Part B	22,799
Improving Teacher Quality	34,887
Learn and Serve (Jump Start)	<u>1,295</u>
Total Other Governmental Funds	173,748

Total Intergovernmental Receivable	\$	<u>185,699</u>
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NOTE 8 – CAPITAL ASSETS

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

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 287,699	\$ -	\$ 287,699	\$ -	\$ -	\$ 287,699
Buildings	20,344,003	(1,788,461)	18,555,542	148,131	-	18,703,673
Improvements	319,183	(37,666)	281,517	21,812	-	303,329
Furniture & Equipment	6,274,154	(364,564)	5,909,590	250,666	(199,048)	5,961,208
Vehicles	1,412,748	172,408	1,585,156	58,492	-	1,643,648
Total Capital Assets	<u>28,637,787</u>	<u>(2,018,283)</u>	<u>26,619,504</u>	<u>479,101</u>	<u>(199,048)</u>	<u>26,899,557</u>
Less Accumulated Depreciation						
Buildings	4,592,465	295,802	4,888,267	364,357	-	5,252,624
Improvements	99,826	152,525	252,351	23,865	-	276,216
Furniture & Equipment	3,456,299	572,266	4,028,565	415,782	(199,048)	4,245,299
Vehicles	966,904	345,020	1,311,924	78,656	-	1,390,580
Total Accumulated Depreciation	<u>9,115,494</u>	<u>1,365,613</u>	<u>10,481,107</u>	<u>882,660</u>	<u>(199,048)</u>	<u>11,164,719</u>
Capital Assets, Net	<u>\$19,522,293</u>	<u>\$(3,383,896)</u>	<u>\$16,138,397</u>	<u>\$(403,559)</u>	<u>\$ -</u>	<u>\$15,734,838</u>

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$604,214
Special Instruction	12,417
Vocational Instruction	21,734
Pupils	7,466
Instructional Staff	62,198
Administration	1,735
Fiscal	21,628
Business	2,559
Plant Operation	35,513
Transportation	79,308
Central	4,209
Noninstructional	23,175
Extracurricular Activities	6,504
	<hr/>
Grand Total	<u><u>\$882,660</u></u>

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy. Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$216,671, \$241,267, and \$195,723, respectively. 47.83% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$113,046 representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the paying fund.

State Teachers Retirement System

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2004, were 9.3 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$1,408,000, \$1,235,402, and \$1,294,978, respectively. 8.04% has been contributed for fiscal years 2005 and 100% for fiscal years 2004 and 2003. \$252,824, representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the paying fund.

C. Social Security

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, the healthcare allocation was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of recipients currently receiving health care benefits is approximately 62,000. For the District, the amount contributed to fund postemployment benefits during fiscal year 2005 was \$153,130.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System

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

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

The Retirement Board allocates employer contributions equal to the Health Care Stabilization Fund from which health care benefits are paid. Effective July 1, 2002, 1% of covered payroll was allocated by the board to post-employment health care. For the District, the amount contributed to fund postemployment benefits during fiscal year 2005 was \$95,031

NOTE 11 - COMPENSATED ABSENCES

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 12 – RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and a rider for volunteers. The District maintains replacement cost insurance on buildings and contents. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation-Public Entity Risk Pool

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

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

C. Health Insurance

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the fiscal year 2005 were as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
General Obligation Bonds Payable:					
1990 School Improvement Bond, 5.75%, maturing December 2005	\$ 200,000	\$ -	\$ (100,000)	\$ 100,000	\$ 100,000
1996 School Improvement Bond, 5.75%, maturing June 2007	430,000	-	(135,000)	295,000	145,000
2001 Construction Bond, 5.16%, maturing December 2028	15,715,818	-	(415,000)	15,300,818	430,000
Total General Obligation Bonds Payable	16,345,818	-	(650,000)	15,695,818	675,000
Compensated Absences Payable	546,831	-	(34,618)	512,213	133,225
	<u>\$16,892,649</u>	<u>\$ -</u>	<u>\$ (684,618)</u>	<u>\$16,208,031</u>	<u>\$ 808,225</u>

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

Compensated absences will be paid from the fund from which the employee's salaries are paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

The District's overall legal debt margin available was \$23,296,641 with an unvoted debt margin of \$258,852 at June 30, 2005.

The annual requirement to amortize all bonds outstanding as of June 30, 2005 is as follows:

	Principal	Interest	Total
Year ending June 30,			
2006	\$ 675,000	\$ 729,488	\$ 1,404,488
2007	595,000	701,296	1,296,296
2008	470,000	835,395	1,305,395
2009	167,621	992,989	1,160,610
2010	146,011	1,013,201	1,159,212
Thereafter	13,642,186	7,779,421	21,421,607
	<u>\$ 15,695,818</u>	<u>\$ 12,051,790</u>	<u>\$ 27,747,608</u>

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

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

NOTE 15 - STATUTORY RESERVES

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

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

	Textbook	Capital Acquisition	Totals
	<u> </u>	<u> </u>	<u> </u>
Set-aside Beginning Balance	\$ (538,697)	\$ 0	\$ (538,697)
Current year set-aside requirements	421,093	421,093	842,186
Current year offsets	0	(444,572)	(444,572)
Qualifying disbursements	(521,449)	(532,562)	(1,054,011)
Set-aside Ending Balance	<u>\$ (639,053)</u>	<u>\$ (556,041)</u>	<u>\$ (1,195,094)</u>
Set-aside Carryover Balance	<u>\$ (639,053)</u>	<u>\$ 0</u>	
Set-aside Reserve Balance	<u>\$ 0</u>	<u>\$ 0</u>	

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 18 – INTERFUND ASSETS/LIABILITIES

Interfund receivables and payables at June 30, 2005 were as follows:

<u>Fund</u>	<u>To/From</u>	<u>Amount</u>
Interfund Receivables:		
General Fund	BWC / Medicare	\$ 299,502
Other Governmental Funds:		
Food Service	BWC / Medicare	10,562
Ohio Reads	BWC / Medicare	73
Student Intervention	BWC / Medicare	1,308
Miscellaneous State Grants	BWC / Medicare	40
IDEA, Part B	BWC / Medicare	6,878
Title I	BWC / Medicare	7,101
Title V	BWC / Medicare	210
Drug Free School Grant	BWC / Medicare	14
Improving Teacher Quality	BWC / Medicare	2,237
Misc. Federal Grants	BWC / Medicare	46
Entry Year Programs	BWC / Medicare	186
		<u>\$ 328,157</u>
Interfund Payables:		
Retirement	General Fund	\$ 435,295
	Other Governmental Funds	
Retirement	Food Service	48,962
Retirement	IDEA Part B	2,156
Retirement	Title V	142
Retirement	Title I	2,229
Retirement	Improving Teacher Quality	177
		<u>\$ 488,961</u>

NOTE 19 – INTERFUND TRANSFERS

Interfund transfers during the fiscal year were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 134,444	
Other Governmental		\$ 134,444

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

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

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

The District recorded three prior period restatements in fiscal year 2005 as a result of the following:

1. Error in calculating the compensated absences accrual;
2. Error in calculating the intergovernmental payable balance;
3. Error in calculating capital asset cost and accumulated depreciation; and
4. Error in calculating deferred revenue accrual.

The effects of these restatements are presented below:

Governmental Fund Financial Statements:

	General Fund
Fund Balance, June 30, 2004	\$ (810,640)
Intergovernmental Payable Restatement	200,000
Compensated Absences Restatement	38,377
Fund Balance, July 1, 2004	\$ (572,263)

Entity - Wide Financial Statements:

	Governmental Activities
Net Assets, June 30, 2004	\$ 6,006,340
Intergovernmental Payable Restatement	200,000
Compensated Absences Restatement	617,118
Deferred Revenue Restatement	1,418,753
Capital Assets, Net Restatement	(3,383,896)
Net Assets, July 1, 2004	\$ 4,858,315

**HAMILTON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 21 – Component Unit Disclosures

Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

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

B. Property and Depreciation

Property and Equipment are recorded at cost. Depreciation of capital assets is determined on the individual asset by the straight line depreciation method at rates based upon the following estimated useful lives:

<u>Description</u>	<u>Useful Life</u>
Computers	5 years

C. Estimates

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

Cash, Deposits

As of June 30, 2005, the carrying amount of Digital Academy's deposits was \$201,770 and the bank balance was \$175,218.

Depreciable Capital Assets

A summary of changes in depreciable capital assets during the fiscal year ended June 30, 2005 consist of the following:

Asset Class	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Equipment	\$ 23,238	\$ 97,874	\$ -	\$ 121,112
<i>Total Depreciable Capital Assets</i>	<u>23,238</u>	<u>97,874</u>	<u>-</u>	<u>121,112</u>
<i>Total Accumulated Depreciation</i>	<u>(3,486)</u>	<u>(19,530)</u>	<u>-</u>	<u>(23,016)</u>
Total Capital Assets, Net	<u>\$ 19,752</u>	<u>\$ 78,344</u>	<u>\$ -</u>	<u>\$ 98,096</u>

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Digital Academy maintains its cash balance at a single financial institution. The account at this institution is insured by Federal Deposit Insurance Corporation, or FDIC, up to \$100,000. The Digital Academy's account balance has exceeded the FDIC limit at the financial institution by \$75,218.

HAMILTON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU 2005	10.553	\$24,903	\$24,903
National School Lunch Program	LL-P4 2005	10.555	279,262	279,262
Total U.S. Department of Agriculture			<u>304,165</u>	<u>304,165</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2005	84.010	401,776	287,637
Special Education - Grants to States (IDEA Part B)	6B-SF 2005	84.027	485,927	601,399
Safe and Drug-Free Schools and Communities	DR-S1-05	84.186	22,472	11,614
Innovative Educational Program Strategies	C2-S1 2005	84.298	27,094	21,678
Technology Literacy Challenge	TJ-S1 2005	84.318	9,717	8,870
Advanced Placement Program	AVTF 2005	84.330	364	0
Comprehensive School Reform	RF-S1 2004	84.332	88,380	157,722
Improving Teacher Quality	TR-S1 2005	84.367	101,131	87,616
Total U.S. Department of Education			<u>1,136,861</u>	<u>1,176,536</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
State Children's Insurance Program	N/A	93.767	40,429	40,429
Medical Assistance Program	N/A	93.778	143,896	143,896
Total U.S. Department of Health and Human Services			<u>184,325</u>	<u>184,325</u>
<u>U.S. Corporation for National and Community Service</u>				
<i>Passed Through Ohio Department of Education:</i>				
Learn and Serve America_School and Community	SV-S1 2005	94.004	25,705	30,789
Total U.S. Corporation for National and Community Service			<u>25,705</u>	<u>30,789</u>
Total Federal Financial Assistance			<u>\$1,651,056</u>	<u>\$1,695,815</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2005, the District received \$63,862 and used \$63,862 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2005 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

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

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

Board of Education
Hamilton Local School District
1055 Rathmell Road
Columbus, Ohio 43207

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hamilton Local School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2005, wherein we qualified our opinion due to the omission of the financial data of the Hamilton Boosters Club, a discretely presented component unit, from the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 2005-002.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated December 22, 2005.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 22, 2005

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

Board of Education
Hamilton Local School District
1055 Rathmell Road
Columbus, Ohio 43207

Compliance

We have audited the compliance of Hamilton Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

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

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

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 22, 2005

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

A. SUMMARY OF AUDITOR'S RESULTS

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

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

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

<i>Finding Number</i>	2005-001
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Component Unit Reporting

The Hamilton Boosters Club is a component unit of the District. This entity has significant financial activity during each fiscal year that, because of its relationship with the District, should be reported in a discrete column on the District's financial statements in accordance with GASB Statement No. 39 - *Determining Whether Certain Organizations Are Component Units*. Further, the financial activity of this entity should be audited each year in accordance with generally accepted auditing standards by an independent public accountant. However, the financial activity of this entity is neither reported in the District's financial statements nor audited by an independent public accountant.

The District should require that the Hamilton Boosters Club be audited annually by an independent public accountant and that the audited financial statements be made available to the District for inclusion in the District's financial statements.

<i>Finding Number</i>	2005-002
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Section 5705.36 of the Ohio Revised Code, in summary, states that the estimated resources should be reduced when actual revenues are determined to be lower than expected. The District estimated resources more than actual receipts for the year, which could lead to the District appropriating more than is actually available to spend in the General, Food Service, District Managed Activities, IDEA Part B, Title I, and Improving Teacher Quality Funds.

The District should monitor each fund so that when revenues are lower than expected an amendment to reduce the estimated resources can be done.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

HAMILTON LOCAL SCHOOL DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2005

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2005-001	The District plans to discuss component unit status with representatives of the Hamilton Booster Club.	Prior to June 30, 2006.	Adam Collier, Treasurer
2005-002	The Treasurer will monitor the estimated resources on a more regular basis and file an amendment to reduce the amounts with the County Auditor when necessary.	Immediately	Adam Collier, Treasurer

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings

For the Year Ended June 30, 2005

Finding Number	Description	Status	Comments
	<i>Government Auditing Standards:</i>		
2004-001	ORC 5705.39 - appropriations are to be limited to estimated resources.	Fully Corrected	N/A
2004-002	ORC 5705.40 - appropriations may not be reduced to a level below an amount sufficient to cover all expenditures and outstanding obligations.	Fully Corrected	N/A
2004-003	Hamilton Boosters Club, a component unit of the District, was not included in the District's report nor had an audit done.	Not Fully Corrected	The Treasurer will discuss this issue with the Hamilton Booster Club.
2004-004	Two forms filed by the District with the State of Ohio concerning a federal grant did not correspond with supporting documentation.	Fully Corrected	N/A



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Betty Montgomery**

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2006**