

**HAMILTON LOCAL SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2011**

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

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Board of Education  
Hamilton Local School District  
775 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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 3, 2012

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# HAMILTON LOCAL SCHOOL DISTRICT

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For the Fiscal Year Ended June 30, 2011

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", GASB Statement No. 58 "Accounting and Financial Reporting for Chapter 9 Bankruptcies", and GASB Statement No. 59 "Financial Statements Omnibus".

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. 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 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. However, we did not audit the information and express no opinion on it.

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 31, 2012

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY  
(Unaudited)**

**BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2011**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

As management of the Hamilton Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$58.6 million (net assets). Of this amount, \$6.5 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$184,422 during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$6.8 million, a \$1.6 million, or 30% increase in comparison with the prior year. Of this total amount, \$5.3 million is available for spending at the District's discretion (unassigned fund balance).

**Overview of the Financial Statements**

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

**Government-wide financial statements**

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

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

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

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

**Fund Financial Statements**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

*Governmental Funds*

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

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

The District maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, and debt service fund, each of which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation.

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

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

*Proprietary Funds*

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

*Fiduciary Funds*

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

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

**Notes to the basic financial statements**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Government-wide Financial Analysis**

*Governmental Activities*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$58.4 million at the close of the most recent fiscal year.

	<b>District Net Assets Governmental Activities</b>	
	2011	2010
Current and Other Assets	\$ 20,300,773	\$ 19,539,762
Capital Assets	71,429,551	73,285,772
<b>Total Assets</b>	<b>91,730,324</b>	<b>92,825,534</b>
Current Liabilities	7,205,367	7,845,232
Long-Term Liabilities	25,908,772	26,548,539
<b>Total Liabilities</b>	<b>33,114,139</b>	<b>34,393,771</b>
Net Assets:		
Invested in Capital Assets, net of related debt	47,514,521	48,873,072
Restricted	4,592,532	4,662,829
Unrestricted	6,509,132	4,895,862
<b>Total Net Assets</b>	<b>\$ 58,616,185</b>	<b>\$ 58,431,763</b>

A significant portion of the District's net assets (\$47.5 million) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (\$4.6 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6.5 million) may be used to meet the District's ongoing obligations to citizens and creditors.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

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

<b>Changes in Net Assets Governmental Activities</b>		
	2011	2010
<b>Revenues:</b>		
Program Revenues		
Charges for Services	\$ 803,717	\$ 899,698
Operating Grants	4,986,749	4,445,969
Total Program Revenues	5,790,466	5,345,667
General Revenues		
Property Taxes	6,836,764	6,626,759
Grants and Entitlements	17,877,462	17,972,353
School Facilities Commission Grant	-	193,027
Investment Earnings	16,124	8,318
Other Revenue	97,584	126,867
Total General Revenue	24,827,934	24,927,324
Total Revenues	30,618,400	30,272,991
<b>Expenses:</b>		
Program Expenses		
Instruction	16,932,582	15,950,087
Support Services	9,868,344	10,326,851
Non-Instructional	1,468,208	1,494,883
Extra Curricular Activities	979,026	749,040
Interest and Fiscal Charges	1,185,818	1,251,263
Miscellaneous	-	347,523
Total Expenses	30,433,978	30,119,647
Changes in Net Assets	184,422	153,344
Net Assets at Beginning of Year	58,431,763	58,278,419
Net Assets at End of Year	\$ 58,616,185	\$ 58,431,763

The increase in operating grants is primarily the result of additional federal funding received by the District through stimulus grants.

The decrease in School Facilities Commission Grant revenues is the result of the District completing the Classroom Facilities Assistance Program construction projects in fiscal year 2010.

Total expenses increased slightly in fiscal year 2011, compared with fiscal year 2010, as a result of annual salary and salary-related fringe benefit increases.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

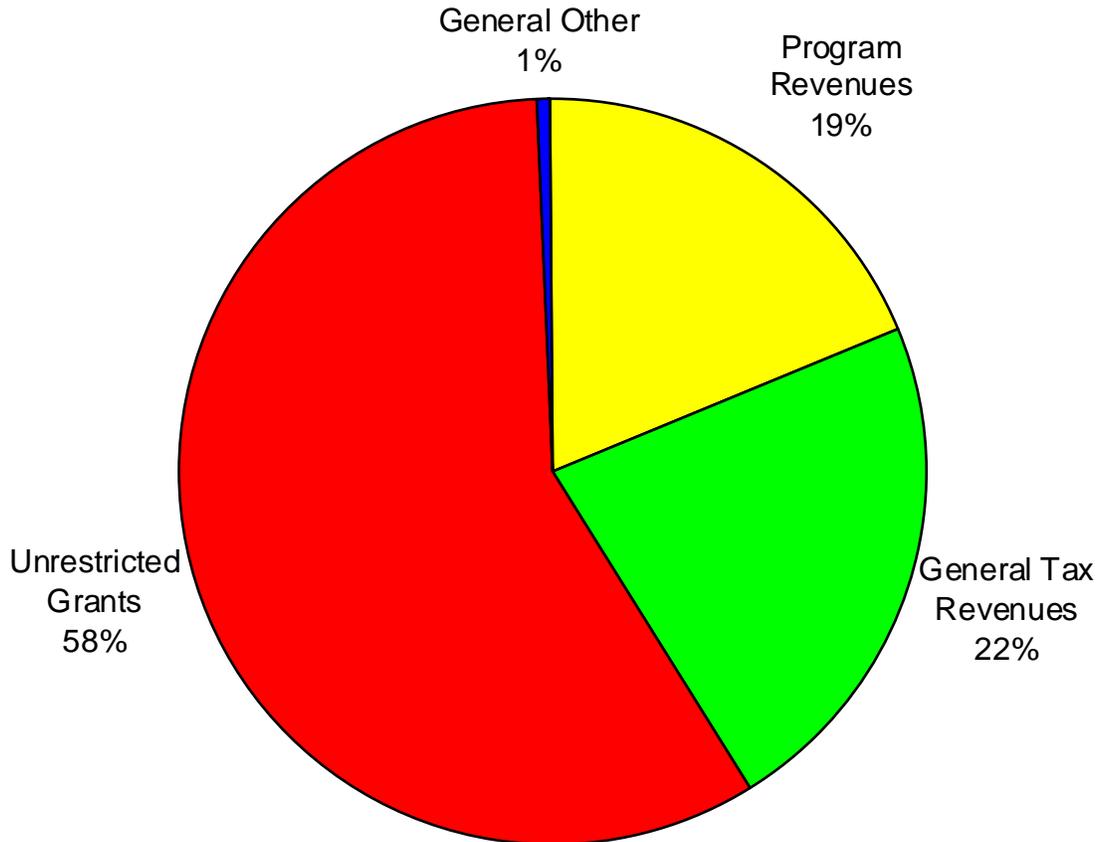
**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

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

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Program Expenses				
Instruction				
Regular	\$ 11,555,664	\$ 11,537,403	\$ 10,321,066	\$ 10,297,274
Special	3,684,666	1,380,214	3,775,033	1,821,700
Vocational	243,165	178,751	212,043	145,196
Other	1,449,087	1,447,073	1,641,945	1,639,017
Support Services				
Pupil	1,097,497	553,388	2,448,543	1,823,852
Instructional Staff	719,399	398,556	642,531	432,386
Board of Education	7,032	(2,068)	8,801	(344)
Administration	2,262,384	1,962,527	2,220,374	1,931,025
Fiscal Services	1,762,079	1,759,723	1,000,846	1,000,846
Business Operations	36,417	36,417	6,098	6,098
Maintenance	2,941,486	2,808,794	2,882,917	2,814,041
Pupil Transportation	996,896	990,247	1,054,887	893,395
Central	45,154	45,154	61,854	61,854
Noninstructional Activities	1,468,208	(192,814)	1,494,883	(97,801)
Extracurricular Activities	979,026	554,329	749,040	406,655
Interest and Fiscal Charges	1,185,818	1,185,818	1,251,263	1,251,263
Miscellaneous	-	-	347,523	347,523
Total Expense	<u>\$ 30,433,978</u>	<u>\$ 24,643,512</u>	<u>\$ 30,119,647</u>	<u>\$ 24,773,980</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 22 percent of total revenues from tax revenues and 58 percent from unrestricted grants. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$24.6 million of support, as well as the graph above, indicating general revenues comprise 81 percent of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

**Financial Analysis of the Government's Funds**

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

*Governmental Funds*

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$11.1 million, an increase of \$1.4 million in comparison with the prior year. Approximately \$5.2 million of this amount is available for new spending at the District's discretion (unassigned fund balance). The remainder of fund balance is not available for new spending because it is unspendable (\$17,276), restricted (\$5.1 million), or assigned (\$817,559).

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, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General Fund	\$ 6,813,618	\$ 5,228,850	\$ 1,584,768
Debt Service Fund	1,672,087	1,505,948	166,139
Other Governmental Funds	2,648,060	3,030,800	(382,740)
<b>Total</b>	<b>\$ 11,133,765</b>	<b>\$ 9,765,598</b>	<b>\$ 1,368,167</b>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.3 million, while total fund balance was \$6.8 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 25% of total general fund expenditures and total fund balance represents 32% of that same amount.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)

The fund balance of the District's General Fund increased \$1.6 million during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

**General Fund Comparative Analysis**

	<u>2011 Amount</u>	<u>Restated 2010 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Property Taxes and Related Intergovernmental	\$ 4,889,687	\$ 4,490,802	8.9%
Interest	17,432,271	17,564,265	-0.8%
Tuition and Fees	12,190	3,829	100.0%
Extracurricular	20,785	27,909	-25.5%
Other	156,292	141,831	10.2%
Total	<u>641,808</u>	<u>166,152</u>	286.3%
	<u>23,153,033</u>	<u>22,394,788</u>	
<b>Expenditures</b>			
Instruction	12,433,545	12,731,356	-2.3%
Support Services	8,363,221	8,937,191	-6.4%
Extracurricular Activities	659,325	500,964	31.6%
Capital Outlay	-	2,680	100.0%
Total	<u>21,456,091</u>	<u>22,172,191</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,696,942</u>	<u>222,597</u>	
<b>Other Financing Sources (Uses)</b>			
Inception of Capital Lease	-	136,759	100.0%
Transfers Out	<u>(112,174)</u>	<u>(504,473)</u>	-77.8%
Total	<u>(112,174)</u>	<u>(367,714)</u>	
Net Change in Fund Balance	<u>1,584,768</u>	<u>(145,117)</u>	

The significant increase in property taxes is the result of fluctuation in the amount available for advance from the County at the end of fiscal years' 2009, 2010, and 2011.

The significant increase in other revenues is the result of the construction fund reimbursing the general fund for prior years' expenditures.

The significant decrease in transfers out is the result of a \$485,000 transfer to fund athletic programs in fiscal year 2010 that was not necessary in fiscal year 2011.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

**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 variances between the District's original and final estimated revenues and final estimated revenues and actual revenues were insignificant.

The District's final appropriations were \$1.7 million less the original appropriations, and actual expenditures were \$950,489 less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

**Capital Assets**

At fiscal year-end, the District's capital assets totaled \$71.4 million (net of accumulated depreciation), a decrease of \$1.9 million in comparison with the prior fiscal year. This increase represents the amount in which capital asset disposals (\$3,025) and depreciation (\$2.0 million) exceeded additions (\$155,731) during the fiscal year. Detailed information regarding capital asset activity is included in Note 7 to the basic financial statements.

**Debt**

At fiscal year-end, the District had \$25.2 million in outstanding bonds payable. The District paid \$760,000 in principal on bonds during the fiscal year. The District also had a bond refunding during the year of \$3.6 million. Detailed information regarding long-term debt is included in Note 11 to the basic financial statements.

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

**Contacting the District's Financial Management**

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

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**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Hamilton Local Digital Academy</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 10,855,992	\$ 116,678
Restricted Cash and Cash Equivalents	647,977	-
Receivables:		
Taxes	8,103,058	-
Accounts	94,467	-
Intergovernmental	182,218	-
Prepaid Items	17,276	-
Inventory Held for Resale	8,965	-
Deferred Bond Issuance Costs	390,820	-
Nondepreciable Capital Assets	806,378	-
Depreciable Capital Assets, Net	70,623,173	21,571
<b>Total Assets</b>	<u>91,730,324</u>	<u>138,249</u>
<b>Liabilities</b>		
Accounts Payable	85,558	15,814
Accrued Wages and Benefits	2,032,656	-
Intergovernmental Payable	1,178,744	-
Accrued Interest Payable	108,893	-
Unearned Revenue	3,799,516	-
Long-Term Liabilities		
Due within One Year	1,060,693	-
Due in More Than One Year	24,848,079	-
<b>Total Liabilities</b>	<u>33,114,139</u>	<u>15,814</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	47,514,521	21,571
Restricted for:		
Debt Service	1,037,645	-
Capital Projects	2,144,953	-
Food Services	704,461	-
Textbooks and Instructional Materials	647,977	-
Other Purposes	57,496	-
Unrestricted	6,509,132	100,864
<b>Total Net Assets</b>	<u>\$ 58,616,185</u>	<u>\$ 122,435</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	Component
				Governmental	Unit
				Hamilton Local Digital Academy	
<b>Governmental Activities</b>					
<b>Instruction</b>					
Regular Instruction	\$ 11,555,664	\$ 13,261	\$ 5,000	\$ (11,537,403)	\$ -
Special Instruction	3,684,666	5,175	2,299,277	(1,380,214)	-
Vocational Instruction	243,165	335	64,079	(178,751)	-
Other Instruction	1,449,087	2,014	-	(1,447,073)	-
<b>Support Services</b>					
Pupils	1,097,497	-	544,109	(553,388)	-
Instructional Staff	719,399	-	320,843	(398,556)	-
Board of Education	7,032	-	9,100	2,068	-
Administration	2,262,384	-	299,857	(1,962,527)	-
Fiscal Services	1,762,079	-	2,356	(1,759,723)	-
Business Operations	36,417	-	-	(36,417)	-
Maintenance	2,941,486	-	132,692	(2,808,794)	-
Pupil Transportation	996,896	-	6,649	(990,247)	-
Central	45,154	-	-	(45,154)	-
Non-instructional Services	1,468,208	412,816	1,248,206	192,814	-
Extracurricular Activities	979,026	370,116	54,581	(554,329)	-
Interest and Fiscal Charges	1,185,818	-	-	(1,185,818)	-
<b>Total Governmental Activities</b>	<b>\$ 30,433,978</b>	<b>\$ 803,717</b>	<b>\$ 4,986,749</b>	<b>\$ (24,643,512)</b>	<b>\$ -</b>
<b>Component Unit</b>					
Hamilton Local Digital Academy	\$ 685,026	\$ -	\$ 71,801	\$ -	\$ (613,225)
<b>Total Component Unit</b>	<b>\$ 685,026</b>	<b>\$ -</b>	<b>\$ 71,801</b>	<b>\$ -</b>	<b>\$ (613,225)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes				\$ 4,822,441	\$ -
Debt Service				1,630,444	-
Capital Projects				334,006	-
Payments in Lieu of Taxes				49,873	-
Grants and Entitlements not Restricted				17,877,462	612,801
Investment Earnings				16,124	60
Miscellaneous				97,584	-
<b>Total General Revenues</b>				<b>24,827,934</b>	<b>612,861</b>
<b>Change in Net Assets</b>				<b>184,422</b>	<b>(364)</b>
<b>Net Assets Beginning of Year</b>				<b>58,431,763</b>	<b>122,799</b>
<b>Net Assets End of Year</b>				<b>\$ 58,616,185</b>	<b>\$ 122,435</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 7,129,401	\$ 931,971	\$ 2,794,620	\$ 10,855,992
Restricted Cash and Cash Equivalents	647,977	-	-	647,977
Receivables				
Property Taxes	5,752,219	1,951,015	399,824	8,103,058
Accounts	6,240	87,213	1,014	94,467
Intergovernmental	-	-	182,218	182,218
Prepaid Items	17,276	-	-	17,276
Inventory Held for Resale	-	-	8,965	8,965
Total Assets	<u>\$ 13,553,113</u>	<u>\$ 2,970,199</u>	<u>\$ 3,386,641</u>	<u>\$ 19,909,953</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 85,558	\$ -	\$ -	\$ 85,558
Accrued Wages and Benefits	1,697,275	-	335,381	2,032,656
Intergovernmental Payable	1,085,169	-	93,575	1,178,744
Deferred Revenue	3,827,252	1,298,112	309,625	5,434,989
Compensated Absences Payable	44,241	-	-	44,241
Total Liabilities	<u>6,739,495</u>	<u>1,298,112</u>	<u>738,581</u>	<u>8,776,188</u>
<b>Fund Balances:</b>				
Unspendable:				
Prepaid Items	17,276	-	-	17,276
Restricted for:				
Capital Projects	-	-	2,066,395	2,066,395
Debt Service	-	1,672,087	-	1,672,087
Food Services	-	-	704,461	704,461
Textbooks and Instructional Materials	647,977	-	-	647,977
Other Purposes	-	-	57,496	57,496
Assigned:				
Public School Support	101,525	-	-	101,525
Encumbrances	14,776	-	-	14,776
Future Appropriations	701,258	-	-	701,258
Unassigned	5,330,806	-	(180,292)	5,150,514
Total Fund Balances	<u>6,813,618</u>	<u>1,672,087</u>	<u>2,648,060</u>	<u>11,133,765</u>
Total Liabilities and Fund Balances	<u>\$ 13,553,113</u>	<u>\$ 2,970,199</u>	<u>\$ 3,386,641</u>	<u>\$ 19,909,953</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

**Total Governmental Fund Balances** \$ 11,133,765

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 71,429,551

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.

Delinquent Property Taxes Receivable	1,595,540
Intergovernmental Receivables	39,933

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(24,107,694)
Accumulated Accretion	(817,657)
Unamortized Bond Premiums	(481,481)
Unamortized Deferred Charge on Refunding	192,663
Unamortized Deferred Charges for Issuance Costs	390,820
Capital Lease Payable	(104,052)
Accrued Interest Payable	(108,893)
Compensated Absences Payable	(546,310)
	(25,582,604)

**Net Assets of Governmental Activities** \$ 58,616,185

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 4,839,814	\$ 1,634,929	\$ 335,346	\$ 6,810,089
Payments in Lieu of Taxes	49,873	-	-	49,873
Intergovernmental	17,432,271	344,325	4,924,878	22,701,474
Charges for Services	-	-	412,816	412,816
Interest	12,190	-	3,934	16,124
Tuition and Fees	20,785	-	-	20,785
Extracurricular Activities	156,292	-	213,824	370,116
Donations	-	-	54,581	54,581
Refund of Prior Year Expenditures	498,500	-	-	498,500
Other	143,308	-	100,524	243,832
<b>Total Revenues</b>	<b>23,153,033</b>	<b>1,979,254</b>	<b>6,045,903</b>	<b>31,178,190</b>
<b>Expenditures:</b>				
Regular Instruction	9,353,563	-	105,629	9,459,192
Special Instruction	1,438,289	-	2,256,272	3,694,561
Vocational Instruction	192,606	-	45,420	238,026
Other Instruction	1,449,087	-	-	1,449,087
Pupils	547,019	-	537,438	1,084,457
Instructional Staff	420,459	-	336,098	756,557
Board of Education	5,149	-	-	5,149
Administration	2,053,307	-	194,346	2,247,653
Fiscal Services	1,755,576	-	2,514	1,758,090
Business Operations	-	30,053	6,364	36,417
Operation and Maintenance of Plant	2,602,020	-	240,250	2,842,270
Pupil Transportation	934,537	-	15,639	950,176
Central	45,154	-	-	45,154
Non-instructional Services	-	-	1,366,578	1,366,578
Extracurricular Activities	659,325	-	243,038	902,363
Capital Outlay	-	-	1,153,329	1,153,329
Debt service:				
Principal Retirement	-	760,000	32,707	792,707
Interest and Fiscal Charges	-	1,023,062	4,052	1,027,114
Bond Issuance Costs	-	88,805	-	88,805
<b>Total Expenditures</b>	<b>21,456,091</b>	<b>1,901,920</b>	<b>6,539,674</b>	<b>29,897,685</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,696,942	77,334	(493,771)	1,280,505
<b>Other Financing Sources (Uses):</b>				
Proceeds from Refunding Bonds	-	3,632,703	-	3,632,703
Premium on Refunding Bonds	-	258,224	-	258,224
Payment to Refunded Bonds Escrow Agent	-	(3,802,122)	-	(3,802,122)
Transfers In	-	-	112,174	112,174
Transfers Out	(112,174)	-	-	(112,174)
<b>Total Other Financing Sources (Uses)</b>	<b>(112,174)</b>	<b>88,805</b>	<b>112,174</b>	<b>88,805</b>
<b>Net Change in Fund Balances</b>	<b>1,584,768</b>	<b>166,139</b>	<b>(381,597)</b>	<b>1,369,310</b>
Fund Balance Beginning of Year, Restated	5,228,850	1,505,948	3,030,800	9,765,598
Change in Inventory	-	-	(1,143)	(1,143)
<b>Fund Balance End of Year</b>	<b>\$ 6,813,618</b>	<b>\$ 1,672,087</b>	<b>\$ 2,648,060</b>	<b>\$ 11,133,765</b>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,369,310**

*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.

Depreciation Expense	(2,008,927)
Capital Outlay	155,731

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations).	(3,025)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(23,198)
Intergovernmental	(38,092)

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

Principal Repayments	792,707
Amortization of Deferred Charge on Refunding	(78,937)
Amortization of Bond Issuance Costs	(20,322)
Amortization of Bond Premiums	26,063
Accretion of Capital Appreciation Bonds	(66,783)

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

Decrease in Compensated Absences	99,763
Increase in Accrued Interest Payable	(18,725)
Change in Inventory	(1,143)

**Change in Net Assets of Governmental Activities** **\$ 184,422**

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/(Under)
<b>Revenues:</b>				
Property Taxes	\$ 4,885,694	\$ 4,840,419	\$ 4,872,524	\$ 32,105
Intergovernmental	18,729,178	17,424,366	17,414,633	(9,733)
Interest	294,642	1,042	12,190	11,148
Tuition and Fees	50,803	42,786	23,026	(19,760)
Extracurricular Activities	143,444	159,328	157,072	(2,256)
Other	122,164	87,164	95,425	8,261
<b>Total Revenues</b>	<b>24,225,925</b>	<b>22,555,105</b>	<b>22,574,870</b>	<b>19,765</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,285,346	9,755,248	9,413,238	342,010
Special	1,710,687	1,606,504	1,518,427	88,077
Vocational	212,948	216,300	195,475	20,825
Other	1,691,532	1,491,532	1,495,515	(3,983)
<b>Support Services:</b>				
Pupils	664,717	631,078	599,946	31,132
Instructional Staff	387,703	389,877	392,300	(2,423)
Board of Education	239,221	7,521	5,555	1,966
Administration	1,962,300	1,981,574	2,006,094	(24,520)
Fiscal	2,396,354	1,736,354	1,352,451	383,903
Operation and Maintenance of Plant	2,820,278	2,875,031	2,686,067	188,964
Pupil Transportation	992,012	997,162	983,791	13,371
Central	45,798	45,798	46,990	(1,192)
Extracurricular Activities	566,423	566,423	654,064	(87,641)
<b>Total Expenditures</b>	<b>23,975,319</b>	<b>22,300,402</b>	<b>21,349,913</b>	<b>950,489</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>250,606</b>	<b>254,703</b>	<b>1,224,957</b>	<b>970,254</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	6,302	-	-	-
Transfers Out	(503,773)	(153,773)	(112,174)	41,599
Advances In	522,930	100,053	100,053	-
Advances Out	(103,055)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(77,596)</b>	<b>(53,720)</b>	<b>(12,121)</b>	<b>41,599</b>
<b>Net Change in Fund Balance</b>	<b>173,010</b>	<b>200,983</b>	<b>1,212,836</b>	<b>1,011,853</b>
Fund Balance at Beginning of Year	6,233,381	6,233,381	6,233,381	-
Prior Year Encumbrances Appropriated	179,851	179,851	179,851	-
<b>Fund Balance at End of Year</b>	<b>\$ 6,586,242</b>	<b>\$ 6,614,215</b>	<b>\$ 7,626,068</b>	<b>\$ 1,011,853</b>

See accompanying notes to the basic financial statements

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2011**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 63,043
Accounts Receivable	289
Total Assets	<u>\$ 63,332</u>
<b>Liabilities</b>	
Due to Students	\$ 63,332
Total Liabilities	<u><u>\$ 63,332</u></u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**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, 2010, was 3,263. The District employed 195 certified employees and 83 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

**A. Fund Accounting**

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

*Governmental Fund Types:*

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

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

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

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

*Proprietary Fund Types:*

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

*Fiduciary Fund Types:*

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**B. Basis of Presentation**

*Government-wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into net asset components. Proprietary fund's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The District has no proprietary funds.

**C. Basis of Accounting**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**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), unless advanced or available to be advanced to the District in the previous fiscal year. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred/Unearned Revenue*

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenue arises when resources are received before they are earned, when a potential revenue does not meet both the measurable and available criteria, and for property tax receipts, when the "intended to finance" criteria for recognition in the current period has not been met. In subsequent periods, when all revenue recognition criteria have been met, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

The District reports unearned revenue on its statement of net assets. Unearned revenue arises when resources are received before they are earned and for property tax receipts, when the "intended to finance" criteria for recognition in the current period has not been met. In subsequent periods, when all revenue recognition criteria have been met, the liability for unearned revenue is removed from the statement of net assets 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.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased.

**G. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest costs as part of capital assets.

Interest is expensed as incurred. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure.

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

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

**H. Intergovernmental Revenues**

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

**I. Interfund Activity**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**J. Compensated Absences**

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

A liability for sick leave is accrued using the vesting 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 District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 20 or more years of service with the District.

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.

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

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

**L. Fund Balance Reserves**

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (assigned and unassigned) fund balance is available. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**M. Encumbrances**

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

**N. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

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

<u>Fund</u>	<u>Fund Balance</u>
Pre-School Education	\$ (9,019)
IDEA, Part B	(7,509)
Fiscal Stabilization	(74,293)
Title I	(78,849)
Early Childhood Special Education	(20)
Improving Teacher Quality	(10,602)

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**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:

**Net Change in Fund Balance**

GAAP Basis	1,584,768
Public School Support Change	(9,150)
Revenue Accruals	(530,939)
Expenditure Accruals	116,703
Advances In	100,053
Encumbrances	<u>(48,599)</u>
Budget Basis	<u><u>1,212,836</u></u>

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Uniform Supply Fund and the Public School Support Funds, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these fund are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**Deposits**

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

At fiscal year-end, the carrying amount of the District's deposits was \$7,051,498, including \$2,000,000 in certificates of deposit, and the bank balance was \$7,114,318. The District was not exposed to custodial credit risk as the entire bank balance was covered by Federal Deposit Insurance. In addition, the District held \$874 in petty cash at fiscal year-end.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

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

Investment Type	Fair Value	Investment Maturities Less Than 12 Months
Money Market Funds	\$ 43,308	\$ 43,308
STAR Ohio	4,471,332	4,471,332
	<u>\$ 4,514,640</u>	<u>\$ 4,514,640</u>

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

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

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

	Fair Value	% To Total
Money Market Funds	\$ 43,308	1%
STAR Ohio	4,471,332	99%
Total	<u>\$ 4,514,640</u>	<u>100%</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. First half collections are received by the District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property as 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of inventory. The tangible personal property tax has been phased out. The assessed values upon which the fiscal year taxes were collected are:

	Calendar Year 2010 Second Half Collections		Calendar Year 2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural/ Residential	\$ 147,631,690	62.28%	\$ 145,687,190	61.83%
Real Property - Commercial / Industrial	80,043,490	33.76%	80,200,350	34.04%
Real Property - Public Utilities	199,560	0.08%	209,990	0.09%
Personal Property - General	510,153	0.22%	0	0.00%
Personal Property - Public Utilities	8,677,830	3.66%	9,539,790	4.05%
Total Assessed Values	<u>\$ 237,062,723</u>	<u>100.00%</u>	<u>\$ 235,637,320</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 55.90		\$ 56.00

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 2011 second-half property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 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 public utility taxes and outstanding delinquencies that are measurable as of June 30, 2011. 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, 2011 was \$2,711,670.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 7 – CAPITAL ASSETS**

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

Asset Class	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 806,378	\$ -	\$ -	\$ 806,378
Total Nondepreciable Capital Assets	<u>806,378</u>	<u>-</u>	<u>-</u>	<u>806,378</u>
Depreciable Capital Assets:				
Buildings	74,217,596	4,147	-	74,221,743
Improvements	1,340,906	-	-	1,340,906
Furniture & Equipment	4,608,428	119,326	(134,362)	4,593,392
Vehicles	1,689,705	32,258	-	1,721,963
Total Depreciable Capital Assets	<u>81,856,635</u>	<u>155,731</u>	<u>(134,362)</u>	<u>81,878,004</u>
Less Accumulated Depreciation				
Buildings	5,257,891	1,491,024	-	6,748,915
Improvements	421,052	104,570	-	525,622
Furniture & Equipment	2,361,058	355,431	(131,337)	2,585,152
Vehicles	1,337,240	57,902	-	1,395,142
Total Accumulated Depreciation	<u>9,377,241</u>	<u>2,008,927</u>	<u>(131,337)</u>	<u>11,254,831</u>
Total Depreciable Capital Assets, Net	<u>72,479,394</u>	<u>(1,853,196)</u>	<u>(3,025)</u>	<u>70,623,173</u>
Total Capital Assets, Net	<u>\$ 73,285,772</u>	<u>\$ (1,853,196)</u>	<u>\$ (3,025)</u>	<u>\$ 71,429,551</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,664,507
Instruction Special	6,876
Instruction Vocational	4,968
Pupils	901
Instructional Staff	3,910
Board of Education	1,883
Administration	7,106
Fiscal Services	3,174
Operation and Maintenance of Plant	95,062
Pupil Transportation	47,077
Noninstructional Services	98,450
Extracurricular Activities	75,013
	<u>\$ 2,008,927</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$359,255, \$378,326, and \$405,070, respectively. The amount contributed for fiscal year 2011 was 47% and 100% was contributed for fiscal years 2010 and 2009. The District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

**State Teachers Retirement System**

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), 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 that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options - 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 allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,621,032, \$1,583,463, and \$1,630,625, respectively; 87% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. The School's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. 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 9 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$23,119, \$22,498, and \$19,425, respectively, 47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$87,033, \$58,473, and \$150,218, respectively, 47 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**State Teachers Retirement System**

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$124,695, \$121,805, and \$159,854, respectively; 87 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE 10 – 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.

**C. Health Insurance**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
2001 Construction Bond:					
Current Interest Bonds	\$ 4,115,000	\$ -	\$ (3,635,000)	\$ 480,000	\$ 480,000
Capital Appreciation Bonds	460,000	20,000	(480,000)	-	-
2006 School Improvement Bond	11,160,000	-	(205,000)	10,955,000	220,000
2006 Advance Refunding Bonds:					
Current Interest Bonds	8,820,000	-	(75,000)	8,745,000	80,000
Capital Appreciation Bonds	1,065,865	44,199	-	1,110,064	-
2011 Refunding Bonds:					
Current Interest Bonds	-	3,570,000	-	3,570,000	75,000
Capital Appreciation Bonds	-	65,287	-	65,287	-
<b>Bonds Payable</b>	<b>25,620,865</b>	<b>3,699,486</b>	<b>(4,395,000)</b>	<b>24,925,351</b>	<b>855,000</b>
2006 School Improvement Bond					
Premium on Bonds	244,638	-	(10,411)	234,227	-
2006 Advance Refunding Bonds					
Premium on Bonds	4,681	-	(254)	4,427	-
Deferred Amount on Refunding	(104,477)	-	69,651	(34,826)	-
2011 Refunding Bonds					
Premium on Bonds	-	258,224	(15,396)	242,828	-
Deferred Amount on Refunding	-	(167,123)	9,285	(157,838)	-
<b>Total Bonds Payable</b>	<b>25,765,707</b>	<b>3,790,587</b>	<b>(4,342,125)</b>	<b>25,214,169</b>	<b>855,000</b>
Capital Lease	136,759	-	(32,707)	104,052	33,676
Compensated Absences	646,073	173,701	(229,223)	590,551	172,017
	<b>\$ 26,548,539</b>	<b>\$ 3,964,288</b>	<b>\$ (4,604,055)</b>	<b>\$ 25,908,772</b>	<b>\$ 1,060,693</b>

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

**2006 Advance Refunding Bonds** - On December 1, 2005, the District issued general obligation bonds of \$9,399,991 (par value) with interest rates ranging from 3.15% to 5% to advance refund current interest serial and term bonds with interest rates ranging from 3.85% to 5.375% and a par value of \$9,400,000. The term bonds mature December 1, 2016, December 1, 2021, and December 1, 2028, and are callable on December 1, 2011. The general obligation bonds were issued at a premium of \$598,594 and, after paying issuance costs of \$180,675, the net proceeds were \$9,817,910.

The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

As a result of the advance refunding, the District reduced its total debt service requirements by \$645,558, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$398,253. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

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

**2011 Advance Refunding Bonds** - During the fiscal year, the District issued \$3,570,000 in current interest serial bonds with interest rates ranging from 2 to 4 percent, and a \$62,703 capital appreciation bonds with a stated interest rate of 20 percent, for the purpose of advance refunding \$3,635,000 of 2001 current interest serial bonds. The 2011 current interest serial bonds mature December 1, 2019 and the capital appreciation bond matures on December 1, 2018. The 2011 current interest bonds were issued at a premium of \$107,030, the capital appreciation bond was issued at a premium of \$151,194, and bond issuance costs totaled \$88,805.

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the 2001 current interest serial bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$225,793, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$201,997. At fiscal year-end, the amount of defeased bonds outstanding was \$3,635,000 and the fair market value of investments held in escrow to pay off the bonds was \$3,802,122.

The annual requirement to amortize all bonds outstanding as of June 30, 2011 is as follows:

		Principal	Interest	Total
Year ending June 30,	2012	\$ 855,000	\$ 1,132,438	\$ 1,987,438
	2013	925,000	944,740	1,869,740
	2014	995,000	916,965	1,911,965
	2015	1,045,000	887,439	1,932,439
	2016	330,000	865,039	1,195,039
	2017-2021	5,685,351	4,162,712	9,848,063
	2022-2026	6,770,000	2,669,743	9,439,743
	2027-2031	6,125,000	1,104,694	7,229,694
	2032-2034	2,195,000	266,062	2,461,062
		<u>\$ 24,925,351</u>	<u>\$ 12,949,832</u>	<u>\$ 37,875,183</u>

The District's overall legal debt margin available was \$21,207,359 with an unvoted debt margin of \$235,637 at June 30, 2011.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 12 – COMPENSATED ABSENCES**

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

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

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

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

**NOTE 13 – CAPITAL LEASE OBLIGATIONS**

The District has entered into a lease agreement as lessee for financing the acquisition of computers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases had a book value of \$102,569 (\$136,759 cost less \$34,190 accumulated depreciation) at June 30, 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 33,676	\$ 3,083	\$ 36,759
2013	34,674	2,085	36,759
2014	35,702	1,058	36,760
Total	<u>\$ 104,052</u>	<u>\$ 6,226</u>	<u>\$ 110,278</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Totals
Set-aside Reserve Balance as of June 30, 2010	\$ 309,343	\$ -	\$ 309,343
Current fiscal year set-aside requirement	464,591	464,591	929,182
Current year offsets	-	(499,540)	(499,540)
Qualifying Disbursements	(125,957)	-	(125,957)
Total	<u>\$ 647,977</u>	<u>\$ (34,949)</u>	<u>\$ 613,028</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ -</u>	<u>\$ -</u>	
Set-aside Balance June 30, 2011	<u>\$ 647,977</u>	<u>\$ -</u>	

The District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount below zero. However, the extra amount may not be used to reduce the set-aside requirements of future fiscal years.

**HAMILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 16 - CONTINGENCIES**

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

**B. Litigation** - There are currently a few matters in litigation with the District as defendant. It is the opinion of management that the potential claims against the District not covered by insurance would not materially affect the financial statements.

The District is also named as a plaintiff in a claim against the Columbus City School District involving the Win-Win Agreement. During the course of negotiations leading up to renewal of the agreement, a number of issues came to light. First, it was revealed that payments from Columbus to certain suburban districts, based on territory transferred to Columbus under the agreement, had never been made. Second, a review of annual billings provided by Columbus demonstrated instances in which the amounts billed to the suburban districts for payments due under the agreement had been calculated incorrectly, resulting in some suburban districts being over-billed for several years. As a result of these errors, the District is estimated to be owed \$1.6 million. However, these estimates are currently being reviewed and the results of the claim are not currently measurable.

**NOTE 17 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

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

During the fiscal year, transfers from the District's General Fund were as follows:

<u>Fund</u>	<u>Amount</u>
Classroom Facilities Maintenance	\$ 2,797
IDEA, Part B	30,677
Title I	64,262
Drug Free Schools	414
Early Childhood Special Education	887
Improving Teacher Quality	13,137
	<u>\$ 112,174</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 – INTERFUND ACTIVITY (Continued)**

**B. Interfund Advances**

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

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

	<u>Beginning Balance</u>	<u>Advance In</u>	<u>Advance Out</u>	<u>Ending Balance</u>
General Fund	\$ (100,053)	\$ 100,053	\$ -	\$ -
IDEA- Part B	\$ 31,654	\$ -	\$ (31,654)	\$ -
Title I	68,399	-	(68,399)	-
	<u>\$ 100,053</u>	<u>\$ -</u>	<u>\$ (100,053)</u>	<u>\$ -</u>

**NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2011, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", GASB Statement No. 58 "Accounting and Financial Reporting for Chapter 9 Bankruptcies", and GASB Statement No. 59 "Financial Statements Omnibus".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 improves the quality of accounting financial reporting by establishing requirements for derivative instruments. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 did have an effect on the financial statements of the District. See the effect of the implementation of GASB Statement No. 54 in Note 20.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

GASB Statement No. 59 "Financial Statements Omnibus" updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 19 – NEW PRONOUNCEMENTS**

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2011.

**NOTE 20 – FUND RECLASSIFICATION**

Due to the implementation of GASB 54, the District’s Uniform School Supply Fund and Public School Support Funds were reclassified as part of the General Fund. These funds were classified as Other Governmental Funds in the prior year.

Also, the Construction Fund no longer meets the requirements of a major fund and has been reclassified as an Other Governmental Fund.

The effect of this reclassification is presented below:

	General Fund	Construction Fund	Other Governmental Funds
Fund Balances, June 30, 2010	\$ 5,135,289	\$ 2,613,502	\$ 510,859
Fund Reclassification- Uniform School Supply	1,186	-	(1,186)
Fund Reclassification- Public School Support Funds	92,375	-	(92,375)
Fund Reclassification- Construction Fund	-	(2,613,502)	2,613,502
	\$ 5,228,850	\$ -	\$ 3,030,800
Fund Balances, July 1, 2010	\$ 5,228,850	\$ -	\$ 3,030,800

**HAMILTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 21 – COMPONENT UNIT DISCLOSURES**

**A. Summary of Significant Accounting Policies**

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

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

*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.

**B. Deposits** - At June 30, 2011, the carrying amount of Digital Academy's deposits was \$116,678 and the bank balance was \$127,930. All of the bank balance was covered by federal depository insurance and pooled collateral agreements with the banking institution. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**C. Capital Assets**

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

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 345,834	\$ -	\$ -	\$ 345,834
Total Depreciable Capital Assets	345,834	-	-	345,834
Total Accumulated Depreciation	(289,744)	(34,519)	-	(324,263)
Capital Assets, Net	<u>\$ 56,090</u>	<u>\$ (34,519)</u>	<u>\$ -</u>	<u>\$ 21,571</u>

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2011

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	O5-PU-11	10.553	\$340,307	\$0	\$340,307	\$0
National School Lunch Program	LL-P4-11	10.555	632,275	168,295	632,275	168,295
<i>Total Nutrition Cluster</i>			<u>972,582</u>	<u>168,295</u>	<u>972,582</u>	<u>168,295</u>
<b>Total U.S. Department of Agriculture</b>			972,582	168,295	972,582	168,295
<b><u>U.S. Department of Education</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I Grants to Local Educational Agencies	C1-S1-11	84.010	978,967	0	978,897	0
Title I - ARRA Funds	C1-S1-11	84.389	12,626	0	13,032	0
<i>Total Title I Cluster</i>			<u>991,593</u>	<u>0</u>	<u>991,929</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	6B-SD-11	84.027	535,969	0	539,056	0
Special Education Grant	6B-SD-11	84.173	9,260	0	9,609	0
Title VI-B - ARRA Funds	N/A	84.391	251,787	0	226,895	0
Preschool Stimulus Grant	N/A	84.392	16,330	0	16,330	0
<i>Total Special Education Cluster</i>			<u>813,346</u>	<u>0</u>	<u>791,890</u>	<u>0</u>
21st Century Grant		84.287	72,592	0	70,506	0
Technology Literacy Challenge	TJ-S1-11	84.318	2,403	0	2,403	0
Improving Teacher Quality	TR-S1-11	84.367	120,698	0	137,097	0
E-Rate		84.372	27,688	0	57,094	0
State Stabilization Fund - Education State Grant ARRA	N/A	84.394	1,210,384	0	1,167,358	0
<b>Total U.S. Department of Education</b>			<u>3,238,704</u>	<u>0</u>	<u>3,218,277</u>	<u>0</u>
<b>Total Federal Financial Assistance</b>			<u>\$4,211,286</u>	<u>\$168,295</u>	<u>\$4,190,859</u>	<u>\$168,295</u>

**Note 1 - Noncash Federal Financial Assistance**

During the year ended June 30, 2011, the District received fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, that is included with 10.555 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, 2011, the District had no significant food commodities inventory.

**Note 2 - Significant Accounting Policies**

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

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

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

We have audited the 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2011, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", GASB Statement No. 58 "Accounting and Financial Reporting for Chapter 9 Bankruptcies". And GASB Statement No. 59 "Financial Statements Omnibus". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

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

We noted certain noncompliance and other matters that we have reported to the management of the District in a separate letter dated January 31, 2012.

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 31, 2012

**Independent Accountant's 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  
775 Rathmell Road  
Columbus, OH 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 could directly and materially affect its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing 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 these requirements.

As described in finding 2011-001, in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Cash Management that are applicable to its State Fiscal Stabilization Grant. Compliance with such a requirement is necessary, in our opinion, for the District to comply with the requirements of this major program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect on each of its major federal programs for the year ended June 30, 2011.

### **Internal Control over Compliance**

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

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

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

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

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 31, 2012

**HAMILTON LOCAL SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

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

<b>1.</b>	<b><i>Type of Financial Statement Opinion</i></b>	Unqualified
<b>2.</b>	<b><i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i></b>	No
<b>3.</b>	<b><i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i></b>	No
<b>4.</b>	<b><i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i></b>	No
<b>5.</b>	<b><i>Were there any material internal control weaknesses reported for major federal programs?</i></b>	No
<b>6.</b>	<b><i>Were there any other significant internal control deficiency reported for major federal programs?</i></b>	No
<b>7.</b>	<b><i>Type of Major Programs' Compliance Opinion</i></b>	Qualified – State Fiscal Stabilization Fund Unqualified – Special Education Cluster, Title I Cluster, Nutrition Cluster
<b>8.</b>	<b><i>Are there any reportable findings under § .510?</i></b>	No
<b>9.</b>	<b><i>Major Programs (list):</i></b>	CFDA#84.027/84.173/84.391/84.392 Special Education Cluster CFDA #84.010/ 84.389 Title I Cluster CFDA#84.394 State Fiscal Stabilization Fund CFDA #10.550/10.553/10.555 Nutrition Cluster
<b>10.</b>	<b><i>Dollar Threshold: Type A/B Programs</i></b>	Type A: >\$300,000 Type B: All Other Programs
<b>11.</b>	<b><i>Low Risk Auditee?</i></b>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

**HAMILTON LOCAL SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

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

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<b>CFDA Title and Number</b>	<b>State Fiscal Stabilization Fund (SFSF) – ARRA 84.394</b>
<b>Grant Year</b>	<b>2011</b>
<b>Federal Agency</b>	<b>U. S. Department of Education</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Education</b>
<b>Finding Number</b>	<b>2011-001</b>

**Cash Management - Compliance**

OMB Circular A-110 (2 CFR section 215.22) states that grantees must develop a cash management system to ensure compliance to minimize the time elapsing between the transfer of funds and disbursement by the recipient. The State Fixed Stabilization Grant requires that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of zero by the end of each month received.

The State Fiscal Stabilization Fund had maintained a fund balance at the end of each month throughout the fiscal year.

The District should develop, implement, and monitor procedures to ensure that money drawn down is disbursed by the end of each month it is received to remain in compliance with the cash management requirements of this grant.

**Officials Response**

I had the complete understanding that the funds were handled under the same guidelines as the federal funds the entire time period. When we first started receiving the funds I was not clear on coding and allowable expenditures so I attended more informational meeting to get a better understanding of what we could legally and correctly spend the money on. That is the biggest reason why the funds were not spent within the first 30 days of receipt in the beginning. By the end of the funding I had understood the emails as if we had to have all funds expended by the end of August and reported by September 30<sup>th</sup> as we have always done the federal funding.

**HAMILTON LOCAL SCHOOL DISTRICT**

Corrective Action Plan

For the Year Ended June 30, 2011

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2011-001	The District will develop and monitor procedures to ensure that money drawn down is disbursed by the end of each month.	Immediately	Adam Collier, Treasurer

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

Hamilton Local School District  
Franklin County  
775 Rathmell Road  
Columbus, Ohio 43207

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 18, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

J.L. UHRIG AND ASSOCIATES, INC.

January 31, 2012

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# Dave Yost • Auditor of State

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 16, 2012