



Dave Yost • Auditor of State

HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton City School District, Butler County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 8, 2013

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of Hamilton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Net assets for fiscal year 2012 decreased by \$13,064,744, or 29.9%, to a total net assets amount of \$30,580,058. Capital Outlay disbursements totaled \$15,650,001 against associated program revenue of \$13,555 which contributed \$15,636,446 towards the decrease in net assets. The district is in the final stage of a \$240 million rebuilding and renovation program that will be completed prior to December 31, 2012. We anticipate that there will be financial activity wrapping up the project through December 31, 2013.
- Actual General Fund Revenues of \$72,426,861 exceeded actual disbursements of \$69,961,967 for a positive variance of \$2,464,894. This was caused by \$2,793,772 in one time Education Jobs Funds that offset general operating expenditures.
- General Fund expenditures decreased \$227,614 in fiscal year 2012 dropping from \$70,189,581 in fiscal year 2011 to \$69,961,967 in fiscal year 2012.

Using this Annual Financial Report

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

Report Components:

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

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

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

Hamilton City School District
Management's Discussion and Analysis
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Unaudited

Basis of Accounting:

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

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

Reporting the School District as a Whole

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2012, within the limitations of the cash basis of accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental program draws from the School District's general receipts.

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

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements:

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

Governmental Funds:

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

Fiduciary Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011 on a cash basis. Fiscal year 2011 has been restated due to investment interest reporting changing from book value to cost value. The \$13 million decrease in net assets is due to construction.

Table 1
Net Assets

	2012	Restated 2011	Change
Assets			
Current Assets	\$30,580,058	\$43,644,802	(\$13,064,744)
Net Assets			
Restricted	20,071,370	35,378,468	(15,307,098)
Unrestricted	10,508,688	8,266,334	2,242,354
<i>Total Net Assets</i>	<u>\$30,580,058</u>	<u>\$43,644,802</u>	<u>(\$13,064,744)</u>

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012. This is the second year that Hamilton City School District has prepared financial statements following GASB Statement 34 under the cash basis. A comparative analysis of government-wide data between fiscal year 2011 and fiscal year 2012 is presented below.

Table 2
Change in Net Assets

	<u>FY2012</u>	<u>FY2011</u>	<u>Change</u>
Receipts			
Program Receipts:			
Charges for Services	\$2,265,220	\$2,344,563	(79,343)
Operating Grants, Interest and Contributions	17,580,243	18,930,761	(1,350,518)
Capital Grants, Interest and Contributions	<u>0</u>	<u>2,820,928</u>	<u>(2,820,928)</u>
Total Program Receipts	<u>19,845,463</u>	<u>24,096,252</u>	<u>(4,250,789)</u>
General Receipts:			
Property Taxes	27,757,412	27,818,896	(61,484)
Grants and Entitlements not Restricted to Specific Programs	52,889,524	49,381,871	3,507,653
Investment Earnings	32,266	65,596	(33,330)
Sale of Capital Assets	44,215	193,336	(149,121)
Miscellaneous	<u>131,025</u>	<u>129,422</u>	<u>1,603</u>
Total General Receipts	<u>80,854,442</u>	<u>77,589,121</u>	<u>3,265,321</u>
Total Receipts	<u>100,699,905</u>	<u>101,685,373</u>	<u>(985,468)</u>
Program Disbursements:			
Instruction:			
Regular	38,848,390	40,277,096	(1,428,706)
Special	12,564,578	11,667,656	896,922
Vocational	1,498,333	1,588,007	(89,674)
Adult/Continuing	289,361	264,890	24,471
Support Services:			
Pupil	6,473,764	6,228,792	244,972
Instructional Staff	5,520,017	5,373,568	146,449
Board of Education	358,263	424,044	(65,781)
Administration	4,598,713	4,730,998	(132,285)
Fiscal	1,058,768	1,189,802	(131,034)
Business	361,761	396,999	(35,238)
Operation and Maintenance of Plant	7,855,371	8,224,276	(368,905)
Pupil Transportation	3,096,543	2,897,111	199,432
Central	837,395	865,712	(28,317)
Operation of Non-Instructional Services	5,249,520	5,109,338	140,182
Extracurricular Activities	1,177,662	1,323,938	(146,276)
Capital Outlay	15,650,001	40,112,951	(24,462,950)
Debt Service:			
Principal	3,465,000	3,275,000	190,000
Interest and Fiscal Charges	<u>4,861,209</u>	<u>5,025,608</u>	<u>(164,399)</u>
Total Disbursements	<u>113,764,649</u>	<u>138,975,786</u>	<u>(25,211,137)</u>
Change in Net Assets	<u>(\$13,064,744)</u>	<u>(\$37,290,413)</u>	<u>(\$24,225,669)</u>

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Changes in Net Assets

Operating grants, interest and contributions decreased \$1,350,518 due to the change to the Bridge temporary state funding formula which does not breakout transportation.

Capital grants, interest and contributions decreased \$2,820,928 which reflects that we did not receive any drawdowns from the Ohio Facility Construction Commission in fiscal year 2012.

Grants and Entitlements not Restricted to Specific Programs increased \$3,507,653 in fiscal year 2012 primarily due to the Bridge formula for state funding of schools which eliminated poverty based assistance (restricted) but maintained overall revenue which effectively increased not restricted revenue.

Regular Instruction program disbursements decreased \$1,428,706 in fiscal year 2012 due to reductions that were put in place.

Special Instruction program disbursements increased \$896,922 in fiscal year 2012 due to equipment purchases and increases in excess costs and tuition paid to other school districts.

Capital Outlay decreased \$24,462,950 as the construction program is nearing completion.

Governmental Activities

As the school district navigates through the final stage of the approximately \$240 million construction and renovation project we will see our expenditure levels decline accordingly. In fiscal year 2012 we had \$113,764,649 in total disbursements but \$15,650,001 was in the area of capital outlay which is primarily due to paying our contractors for construction completed to date. We will continue to have some capital expenditures through fiscal year 2013.

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

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012
Instruction:		
Regular	\$38,848,390	(\$34,898,690)
Special	12,564,578	(9,121,560)
Vocational	1,498,333	(713,696)
Adult/Continuing	289,361	(37,560)
Support Services:		
Pupil	6,473,764	(5,254,722)
Instructional Staff	5,520,017	(3,130,561)
Board of Education	358,263	(350,243)
Administration	4,598,713	(4,003,408)
Fiscal	1,058,768	(1,029,087)
Business	361,761	(353,895)
Operation and Maintenance of Plant	7,855,371	(7,218,538)
Pupil Transportation	3,096,543	(3,028,373)
Central	837,395	(709,906)
Operation of Non-Instructional Services	5,249,520	692,220
Extracurricular Activities	1,177,662	(798,512)
Capital Outlay	15,650,001	(15,636,446)
Debt Service:		
Principal	3,465,000	(3,465,000)
Interest and Fiscal Charges	4,861,209	(4,861,209)
Total Disbursements	<u>\$113,764,649</u>	<u>(\$93,919,186)</u>

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting and include the General Fund, Bond Retirement Fund, Permanent Improvement and the Classroom Facilities Maintenance Fund. All governmental funds had total receipts of \$100,657,681 and disbursements of \$113,764,649. The four major funds account for 83% and 73% of receipts and disbursements, respectively.

General Fund receipts totaled \$72,426,861 while disbursements totaled \$69,961,967 and other financing sources and uses totaled (\$222,551). The end result was the General Fund balance increased \$2,242,343.

The Bond Retirement Fund had \$7,879,014 in receipts and \$8,425,375 in disbursements. The Bond Retirement fund balance was reduced by \$546,361 in fiscal year 2012 from \$6,027,601 to \$5,481,240.

The Permanent Improvement Fund had \$2,745,609 in receipts against \$4,431,847 in disbursements in fiscal year 2012 resulting in a fund balance decrease of \$1,642,023.

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The Classroom Facilities Maintenance Fund had receipts of \$843,308 against disbursements of \$275,704 which resulted in the fund balance increasing by \$567,604 and having an ending balance of \$3,178,809.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District revised its budget as we dealt with changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts is listed on page 15, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final budget basis receipts were \$72,426,861 or \$9,655,977 more than the original budgeted receipts. Final budget basis disbursements were \$71,006,852 or \$7,052,048 more than projected.

Debt Administration

Table 3 summarizes the debt outstanding:

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

	2012	2011
School Improvement Bonds	\$8,740,000	\$10,195,000
School Improvement Bonds	65,385,000	67,155,000
School Improvement Refunding Bonds	21,745,000	21,985,000
Capital Lease	443,814	570,618
Total Debt Outstanding	<u>\$96,313,814</u>	<u>\$99,905,618</u>

For more information on Debt, see Notes 12 and 13 of the Basic Financial Statements.

Hamilton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Current Financial Issues and Concerns

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert A. Hancock, CPA at 533 Dayton Street, Hamilton, OH 45011 or email me

Hamilton City School District
Statement of Net Assets - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$30,580,058</u>
Net Assets	
Restricted for:	
Debt Service	5,481,240
Capital Outlay	10,475,868
Other Purposes	4,114,262
Unrestricted	<u>10,508,688</u>
<i>Total Net Assets</i>	<u><u>\$30,580,058</u></u>

See Accompanying Notes to the Basic Financial Statements

Hamilton City School District
Statement of Activities - Cash Basis
For Fiscal Year Ending June 30, 2012

	Program Cash Receipts				Net (Disbursements) Receipts & Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$38,848,390	\$455,069	\$3,494,631	\$ -	(\$34,898,690)
Special	12,564,578	111,671	3,331,347	-	(9,121,560)
Vocational	1,498,333	14,941	769,696	-	(713,696)
Adult/Continuing	289,361	-	251,801	-	(37,560)
Support Services:					
Pupils	6,473,764	282,402	936,640	-	(5,254,722)
Instructional Staff	5,520,017	33,078	2,356,378	-	(3,130,561)
Board of Education	358,263	4,491	3,529	-	(350,243)
Administration	4,598,713	50,610	544,695	-	(4,003,408)
Fiscal	1,058,768	11,400	18,281	-	(1,029,087)
Business	361,761	4,405	3,461	-	(353,895)
Operation and Maintenance of Plant	7,855,371	102,355	534,478	-	(7,218,538)
Pupil Transportation	3,096,543	38,174	29,996	-	(3,028,373)
Central	837,395	112,206	15,283	-	(709,906)
Operation of Non-Instructional Services	5,249,520	726,845	5,214,895	-	692,220
Extracurricular Activities	1,177,662	306,466	72,684	-	(798,512)
Capital Outlay:	15,650,001	11,107	2,448	-	(15,636,446)
Debt Service:					
Principal	3,465,000	-	-	-	(3,465,000)
Interest and Fiscal Charges	4,861,209	-	-	-	(4,861,209)
<i>Total Governmental Activities</i>	<u>\$113,764,649</u>	<u>\$2,265,220</u>	<u>\$17,580,243</u>	<u>\$ -</u>	<u>(\$93,919,186)</u>

General Receipts:

Payments in Lieu of Taxes	\$1,118,891
Property Taxes Levied for:	
General Purposes	17,423,247
Debt Services	6,658,243
Permanent Improvement	2,191,763
Other Purposes	365,268
Grants and Entitlements not Restricted to Specific Programs	52,889,524
Investment Earnings	32,266
Miscellaneous	133,042
Sale of Capital Assets	44,215
Refund of Prior Years Expenditures	(17)
Refund of Prior Years Receipt	(2,000)
<i>Total General Revenues and Transfers and Property and Other Local Taxes & Tuition a</i>	80,854,442
<i>Change in Net Assets</i>	(13,064,744)
<i>Net Assets Beginning of Year (Restated - Note 3)</i>	43,644,802
<i>Net Assets End of Year</i>	<u><u>\$30,580,058</u></u>

See Accompanying Notes to the Basic Financial Statements

Hamilton City School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

Assets	General	Bond Retirement	Permanent Improvements	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Equity in Pooled Cash and Cash Equivalents	\$10,508,688	\$5,481,240	\$7,297,059	\$3,178,809	\$4,114,262	\$30,580,058
Fund Balances						
Non-spendable	72,648	-	-	-	-	72,648
Restricted	-	5,481,240	142,539	3,178,809	3,872,848	12,675,436
Committed	-	-	7,154,520	-	-	7,154,520
Assigned	1,037,000	-	-	-	241,414	1,278,414
Unassigned	9,399,040	-	-	-	-	9,399,040
<i>Total Fund Balances</i>	\$10,508,688	\$5,481,240	\$7,297,059	\$3,178,809	\$4,114,262	\$30,580,058

See Accompanying Notes to the Basic Financial Statements

Hamilton City School District
Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities Maintenance</u>	<u>All Other Gov't Funds</u>	<u>Total Gov't Funds</u>
Receipts:						
Property and Other Local Taxes	\$ 17,423,247	\$ 6,658,243	\$ 2,191,763	\$ 365,268	\$ -	\$ 26,638,521
Intergovernmental	52,742,092	1,020,275	482,046	466,150	15,611,659	70,322,222
Interest	32,266	-	5,775	1,189	1,108	40,338
Tuition and Fees	679,464	-	-	-	-	679,464
Rent	40,924	-	-	-	-	40,924
Extracurricular Activities	123,175	-	-	-	322,876	446,051
Gifts and Donations	30,889	-	-	-	90,709	121,598
Customer Sales and Services	133,244	-	-	-	706,163	839,407
Payments in Lieu of Taxes	1,118,892	200,496	66,025	10,701	-	1,396,114
Miscellaneous	102,668	-	-	-	30,374	133,042
<i>Total Receipts</i>	<u>72,426,861</u>	<u>7,879,014</u>	<u>2,745,609</u>	<u>843,308</u>	<u>16,762,889</u>	<u>100,657,681</u>
Disbursements:						
Current:						
Instruction:						
Regular	33,816,762	-	1,835,700	-	3,195,928	38,848,390
Special	8,981,907	-	269,085	-	3,313,586	12,564,578
Vocational	1,204,104	-	-	-	294,229	1,498,333
Adult/Continuing	-	-	-	-	289,361	289,361
Support Services:						
Pupils	5,581,594	-	10,026	-	882,144	6,473,764
Instructional Staff	2,657,460	-	338,573	-	2,523,984	5,520,017
Board of Education	358,263	-	-	-	-	358,263
Administration	4,064,654	-	11,477	-	522,582	4,598,713
Fiscal	918,424	99,166	35,653	5,525	-	1,058,768
Business	354,868	-	6,893	-	-	361,761
Operation and Maintenance of Plant	7,400,842	-	112,984	270,179	71,366	7,855,371
Pupil Transportation	3,068,304	-	28,239	-	-	3,096,543
Central	803,837	-	-	-	33,558	837,395
Operation of Non-Instructional Services:						
Food Service Operations	-	-	4,579	-	4,501,956	4,506,535
Community Services	-	-	-	-	742,985	742,985
Extracurricular Activities:						
Academic Oriented Activities	123,262	-	27,358	-	56,405	207,025
Sport Oriented Activities	611,038	-	45,173	-	275,460	931,671
School and Public Service Co-Curricular Activities	16,147	-	-	-	22,819	38,966
Capital Outlay:						
Site Improvement Services	-	-	165,414	-	549,788	715,202
Architecture and Engineering Services	-	-	79,123	-	561,638	640,751
Building Acquisition and Construction Services	501	-	671,488	-	12,821,330	13,493,319
Building Improvement Services	-	-	787,982	-	-	787,982
Other Facilities Acquisition and Construction	-	-	2,100	-	10,637	12,737
Debt Service:						
Principal	-	3,465,000	-	-	-	3,465,000
Interest	-	4,861,209	-	-	-	4,861,209
<i>Total Disbursements</i>	<u>69,961,967</u>	<u>8,425,375</u>	<u>4,431,847</u>	<u>275,704</u>	<u>30,669,756</u>	<u>113,764,649</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,464,894</u>	<u>(546,361)</u>	<u>(1,686,238)</u>	<u>567,604</u>	<u>(13,906,867)</u>	<u>(13,106,968)</u>
Other Financing Sources (Uses)						
Transfers In	157,504	-	-	-	-	157,504
Advances In	227,429	-	-	-	449,929	677,358
Proceeds from Sale of Capital Assets	-	-	44,215	-	-	44,215
Refund of Prior Year Expenditures	(52)	-	-	-	35	(17)
Transfers Out	(157,504)	-	-	-	-	(157,504)
Advances Out	(449,928)	-	-	-	(227,429)	(677,357)
Refund of Prior Year Receipts	-	-	-	-	(2,000)	(2,000)
<i>Total Other Financing Sources and Uses</i>	<u>(222,551)</u>	<u>-</u>	<u>44,215</u>	<u>-</u>	<u>220,535</u>	<u>42,199</u>
<i>Net Change in Fund Balances</i>	<u>2,242,343</u>	<u>(546,361)</u>	<u>(1,642,023)</u>	<u>567,604</u>	<u>(13,686,332)</u>	<u>(13,064,769)</u>
<i>Fund Balance (Deficit) at Beginning of Year - Restated (Note # 3)</i>	<u>8,266,345</u>	<u>6,027,601</u>	<u>8,939,082</u>	<u>2,611,205</u>	<u>17,800,594</u>	<u>43,644,827</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 10,508,688</u>	<u>\$ 5,481,240</u>	<u>\$ 7,297,059</u>	<u>\$ 3,178,809</u>	<u>\$ 4,114,262</u>	<u>\$ 30,580,058</u>

Hamilton City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property and Other Local Taxes	\$15,839,076	\$17,423,247	\$17,423,247	-
Intergovernmental	45,580,077	52,742,092	52,742,092	-
Interest	59,034	32,266	32,266	-
Tuition and Fees	471,028	679,464	679,464	-
Rent	35,763	40,924	40,924	-
Extracurricular Activities	106,553	123,175	123,175	-
Gifts and Donations	36,019	30,889	30,889	-
Customer Sales and Services	125,160	133,244	133,244	-
Payments in Lieu of Taxes	441,576	1,118,892	1,118,892	-
Miscellaneous	76,598	102,668	102,668	-
Total Revenues	<u>62,770,884</u>	<u>72,426,861</u>	<u>72,426,861</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	30,395,291	33,902,316	33,902,317	(1)
Special	7,910,934	9,034,744	9,034,744	-
Vocational	1,283,893	1,222,404	1,222,403	1
Support Services:				
Pupils	4,989,481	5,600,091	5,600,091	-
Instructional Staff	2,516,115	2,730,697	2,730,697	-
Board of Education	389,264	369,613	369,613	-
Administration	3,761,171	4,071,535	4,071,534	1
Fiscal	930,988	930,853	930,853	-
Business	369,255	381,066	381,065	1
Operation and Maintenance of Plant	7,219,189	7,971,491	7,963,609	7,882
Pupil Transportation	2,785,418	3,214,401	3,214,401	-
Central	702,422	826,693	826,693	-
Extracurricular Activities:				
Academic Oriented Activities	114,583	123,262	123,262	-
Sport Oriented Activities	570,497	611,038	611,038	-
School and Public Service Co-Curricular Activities	15,584	16,147	16,147	-
Capital Outlay:				
Building Acquisition and Construction Services	719	501	501	-
Total Expenditures	<u>63,954,804</u>	<u>71,006,852</u>	<u>70,998,968</u>	<u>7,884</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,183,920)</u>	<u>1,420,009</u>	<u>1,427,893</u>	<u>7,884</u>
Other Financing Sources and Uses:				
Transfers In	159,679	157,504	157,504	-
Advances In	332,978	227,429	227,429	-
Proceeds from Sale of Capital Assets	174,002	-	-	-
Refund of Prior Year Expenditures	6,304	-52	-52	-
Transfers Out	-159,679	-157,504	-157,504	-
Advances Out	-204,686	-449,928	-449,928	-
Total Other Financing Sources and Uses	<u>308,598</u>	<u>-222,551</u>	<u>-222,551</u>	<u>-</u>
Net Change in Fund Balances	-875,322	1,197,458	1,205,342	7,884
Fund Balance (Deficit) at Beginning of Year (Restated Note 3)	7,482,168	7,482,168	7,482,168	-
Prior Year Encumbrances Appropriated	784,177	784,177	784,177	-
Fund Balance (Deficit) at End of Year	<u>\$7,391,023</u>	<u>\$9,463,803</u>	<u>\$9,471,687</u>	<u>\$7,884</u>

See Accompanying Notes to the Basic Financial Statements

Hamilton City School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
June 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Investments	\$96,250	\$101,692
<i>Total Assets</i>	96,250	101,692
 Net Assets		
Held in Trust for Scholarships	96,250	-
Held on Behalf of Students	-	101,692
<i>Total Net Assets</i>	\$96,250	\$101,692

See Accompanying Notes to the Basic Financial Statements

Hamilton City School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$23,839
Interest	2
Miscellaneous	-
	-
<i>Total Additions</i>	23,841
Deductions	
Miscellaneous	31,431
	31,431
<i>Total Deductions</i>	31,431
<i>Change in Net Assets</i>	(7,590)
<i>Net Assets Beginning of Year</i>	86,014
<i>Prior Year Encumbrances Appropriated</i>	17,826
	17,826
<i>Net Assets End of Year</i>	\$96,250

See Accompanying Notes to the Basic Financial Statements

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Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Reporting Entity:

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

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, and Southwestern Ohio Educational Purchasing Council-Liability, Fleet and Property Insurance Program. These organizations are presented in Note 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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

Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

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

Governmental Funds:

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

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

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

Classroom Facilities Maintenance Fund – A fund provided to account for the proceeds of a levy for the maintenance of facilities.

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

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

Fiduciary Funds:

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

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

Budgetary Process

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

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

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Investments

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

During fiscal year 2012, the School District invested in Fifth Third Money Market accounts and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2012 were \$32,266 and \$8,072 was assigned to other School District funds. \$5,775 of the interest assigned to other funds was due to interest earnings on construction funds.

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

Interfund Receivables/Payables

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

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts for federal and State grants whose use is restricted to specified purposes.

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

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

Non-spendable

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

Restricted

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

Committed

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

Assigned

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Compensated Absences

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

Capital Assets

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

Long-Term Obligations

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

NOTE 3 – FUND BALANCES AND NET ASSETS

The General Fund and Permanent Improvements fund balances at June 30, 2011 were restated due to the recording of interest, premiums and discounts related to certain investment accounts. They were previously reported on a cost value rather than cash value causing revenue to be overstated.

	General Fund	Permanent Improvements	Governmental Activities
Fund Balance at June 30, 2011	\$ 8,366,131	\$ 9,318,512	\$44,124,018
	<u>(99,786)</u>	<u>(379,430)</u>	<u>(479,216)</u>
Adjusted Fund Balance at June 30, 2011	\$ 8,266,345	\$ 8,939,082	\$43,644,058

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 3 – FUND BALANCES (continued)

use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Classroom Facilities Maint. Fund	Other Gov't Funds	Total Gov't Funds
<i>Non-spendable</i>						
Unclaimed Funds	\$72,648	\$ -	\$ -	\$ -	\$ -	\$72,648
<i>Restricted for</i>						
Debt Service Fund	-	5,481,240	-	-	-	5,481,240
Permanent Improvement Fund	-	-	142,539	-	-	142,539
Classroom Facilities Maint. Fund	-	-	-	3,178,809	-	3,178,809
Building Program Fund	-	-	-	-	482,871	482,871
Ohio School Facilities Fund	-	-	-	-	1,765,764	1,765,764
Food Service Fund	-	-	-	-	806,044	806,044
T V Hamilton Fund	-	-	-	-	26,678	26,678
Other Grants Fund	-	-	-	-	57,698	57,698
Student Activities Fund	-	-	-	-	102,483	102,483
Auxiliary Services Fund	-	-	-	-	210,278	210,278
Early Childhood Education Fund	-	-	-	-	91	91
Miscellaneous State Grants Fund	-	-	-	-	1,218	1,218
Adult Basic Education Fund	-	-	-	-	15,587	15,587
Race to the Top Fund	-	-	-	-	2,323	2,323
Title VI-B Fund	-	-	-	-	142,684	142,684
Carl D. Perkins Fund	-	-	-	-	32,843	32,843
Title II D Technology Fund	-	-	-	-	-	-
Title III LEP Fund	-	-	-	-	-	-
Title I Fund	-	-	-	-	15,846	15,846
Improving Teacher Quality	-	-	-	-	490	490
Miscellaneous Federal Grant	-	-	-	-	209,950	209,950
Total Restricted	-	5,481,240	142,539	3,178,809	3,872,848	12,675,436
<i>Committed for</i>						
Permanent Improvement Fund	-	-	7,154,520	-	-	7,154,520
<i>Assigned to</i>						
Replacement Fund	-	-	-	-	19,450	19,450
Capital Projects Fund	-	-	-	-	221,964	221,964
Other Purposes	1,037,000	-	-	-	-	1,037,000
Total Assigned	1,037,000	-	-	-	241,414	1,278,414
Unassigned (Deficit)	9,399,040	-	-	-	-	9,399,040
Total Fund Balances	<u>\$10,508,688</u>	<u>\$5,481,240</u>	<u>\$7,297,059</u>	<u>\$3,178,809</u>	<u>\$4,114,262</u>	<u>\$30,580,058</u>

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

	<u>General</u>
Cash Basis	\$2,242,343
Adjustment for Encumbrances	<u>(1,037,001)</u>
Budget Basis	<u><u>\$1,205,342</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

Investments

As of June 30, 2012 the School District had investments in STAR Ohio in the amount of \$27,183,950. The average maturity of STAR Ohio is 58 days. The Fifth Third Money Market Accounts are used as short term investments that are at or near the STAR Ohio rate of return.

<u>Financial Institution</u>	<u>Operating</u>	<u>Construction</u>	<u>Total</u>
Star Ohio	\$19,626,688	\$7,557,262	\$27,183,950
Fifth Third	<u>3,000,115</u>	<u> </u>	<u>3,000,115</u>
Total	<u>\$22,626,803</u>	<u>\$7,557,262</u>	<u>\$30,184,065</u>

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk:

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

Credit Risk:

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Butler County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

Tax Value Type	2011 2nd Half Value	Percent of Tax Base	Eff. Tax Rate	2012 1st Half Value	Percent of Tax Base	Eff. Tax Rate
Real Estate-Res/Agr	\$672,098,300	75.85%	33.74	\$625,620,120	76.15%	35.22
Real Estate-Com/Ind	210,265,560	23.73%	38.38	192,066,460	23.38%	41.59
Public Utility-RE	308,710	.03%	38.38	328,250	.04%	41.59
Public Utility-Personal	3,427,660	.39%	53.42	3,522,850	.43%	53.42
Total	\$886,100,230	100.00%		\$821,537,680	100.00%	

NOTE 7 - INTERFUND ACTIVITY

At June 30, 2012, the General Fund had an unpaid interfund cash advance, in the amount of \$449,928, for a short-term loan made to Other Governmental Funds. This is expected to be received within one year. The General Fund also received repayments from Other Governmental Funds of \$227,429, for short-term loans made during fiscal year 2011.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District was a member of the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program.

During fiscal year 2012, the School District, along with other school districts and educational service centers in Ohio, participated in the Southwestern Ohio Educational Purchasing Council's – Liability, Fleet and Property Insurance Program (Insurance Program), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Insurance Program (See Note 14). The School District contracts their liability insurance through the Insurance Program.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant changes in coverage from fiscal year 2011.

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 8 - RISK MANAGEMENT (Continued)

B. Employee Medical Benefits

For fiscal year 2012, the School District participated in the Butler Health Plan, a shared risk pool consisting of 11 area school districts, 2 Career Development School Districts, one Board of Developmental Disabilities and an Educational Service Center. The School District pays monthly premiums to Butler Health Plan for employee medical and dental benefits. Butler Health is responsible for the management and operations of the program. Upon withdrawal from the Butler Health Plan, a participant is responsible for all claims that exceed the expected claims for that district for a defined period of time.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 12.70 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,620,479, \$1,939,222, and \$1,910,852, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

Funding Policy – For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,894,601, \$6,166,208, and \$6,179,447, respectively; 100 percent has been contributed for all three fiscal years.

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$171,580.

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll.

B. State Teachers Retirement System of Ohio

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

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

employer contributions. For 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

C. Dental Care

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

D. Vision Care

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

E. Deferred Compensation Plan

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

Purpose	Balance 7/1/11	FY 2012 Additions	FY 2012 Reductions	Balance 6/30/12
School Improvement	\$10,195,000	-	\$1,455,000	\$ 8,740,000
Refunding Bonds	21,985,000	-	240,000	21,745,000
School Improvement	67,155,000	-	1,770,000	65,385,000
Totals	\$99,335,000	\$-	\$3,465,000	\$95,870,000

School Improvement Bonds

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

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

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal Due	Interest Due	Total FY Payments
FY 2013	3,495,000	4,689,938	8,184,938
FY 2014	3,660,000	4,511,036	8,171,036
FY 2015	3,725,000	4,317,363	8,042,363
FY 2016	3,925,000	4,108,891	8,033,891
FY 2017	4,135,000	3,889,815	8,024,815
FY 2018 to FY 2022	22,090,000	18,662,688	40,752,688
FY 2023 to FY 2027	23,675,000	10,086,813	33,761,813
FY 2028 to FY 2032	18,110,000	5,441,581	23,551,581
FY 2033 to FY 2035	13,055,000	1,000,375	14,055,375
Totals	\$95,870,000	\$56,708,500	\$152,578,500

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments required under the capital lease as of June 30, 2012.

Fiscal Year Ending June 30,	Total Payments
2013	126,804
2014	126,804
2015	126,804
2016	63,402
Total minimum lease payments	443,814

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$327,111 for membership and services during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council:

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL – (Continued)

A. Jointly Governed Organizations – (Continued)

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

Payments to the SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$4,150 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association:

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the School District paid \$17,967 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Insurance Purchasing Pools

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

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

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS/SHARED RISK POOL – (Continued)

B. Insurance Purchasing Pools – (Continued)

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

NOTE 15 - SET-ASIDE CALCULATIONS

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

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

	Capital Improvements
Set-aside Reserve Balance as of	
June 30, 2011	\$0
Current Fiscal Year Set-aside Requirement	1,595,674
Qualifying Disbursements	(15,896,275)
Current Fiscal Year Offsets	0
Totals	(\$14,300,601)
Set-aside Balance Carried Forward to	
Future Fiscal Years	\$0
Set-aside Reserve Balance as of June 30, 2012	\$0

Hamilton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012
(Continued)

NOTE 15 - SET-ASIDE CALCULATIONS – (Continued)

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

NOTE 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

B. Litigation

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

NOTE 17 - COMPLIANCE

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

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**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$323,518		\$323,518
Cash Assistance:						
National School Breakfast Program	2012	10.553	\$1,421,015		\$1,421,015	
National School Lunch Program	2012	10.555	2,542,281		2,542,281	
Summer Food Service Program for Children	2012	10.559	14,162		14,162	
Total Child Nutrition Cluster			<u>3,977,458</u>	<u>323,518</u>	<u>3,977,458</u>	<u>323,518</u>
Total U.S. Department of Agriculture			<u>3,977,458</u>	<u>323,518</u>	<u>3,977,458</u>	<u>323,518</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn & Serve America-School & Community Based Programs	2011	94.004	174		301	
Total Corporation for National and Community Service			<u>174</u>		<u>301</u>	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States						
	2012	84.027	1,862,219		1,798,030	
	2011	84.027	94,375		282,319	
ARRA - Special Education - Grants to States	2011	84.391	164,451		202,037	
Total Special Education Grants to States			<u>2,121,045</u>		<u>2,282,386</u>	
Special Education - Preschool Grants						
	2012	84.173	77,015		82,491	
	2011	84.173	32,784		16,843	
Total Special Education - Preschool Grants			<u>109,799</u>		<u>99,334</u>	
Total Special Education Cluster			<u>2,230,844</u>		<u>2,381,720</u>	
Title I Grants to Local Educational Agencies						
	2012	84.010	2,841,052		2,917,984	
	2011	84.010	312,431		540,273	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	22,123		74,604	
Total Title I Grants to Local Educational Agencies			<u>3,175,606</u>		<u>3,532,861</u>	
Adult and Basic Education						
Total Adult and Basic Education	2012	84.002	181,351		181,351	
	2011	84.002	181,351		181,351	
Career & Technical Education-Basic Grants to States						
	2012	84.048	194,319		181,230	
	2011	84.048	29,273		71,809	
Total Career & Technical Education-Basic Grants to States			<u>223,592</u>		<u>253,039</u>	
Education of Homeless Children and Youth						
	2012	84.196	37,462		36,060	
	2011	84.196	4,306		4,581	
Total Education of Homeless Children and Youth Cluster			<u>41,768</u>		<u>40,641</u>	
Fund for the Improvement of Education: Teaching Traditional History						
	2012	84.215	117,369		113,636	
	2011	84.215	112,422		132,913	
Total Fund for the Improvement of Education			<u>229,791</u>		<u>246,549</u>	
Education Technology State Grants						
	2012	84.318	31,455		31,455	
	2011	84.318	52		(274)	
			<u>31,507</u>		<u>31,181</u>	
English Language Acquisition Grants						
	2012	84.365	100,996		101,644	
	2011	84.365	(690)		175	
Total English Language Acquisition Grants			<u>100,306</u>		<u>101,819</u>	
Improving Teacher Quality State Grants						
	2012	84.367	516,101		527,377	
	2011	84.367	87,518		121,303	
Total Improving Teacher Quality State Grants			<u>603,619</u>		<u>648,680</u>	
Ohio Resident Educator						
	2012	84.395	10,500		10,500	
ARRA - Race to the Top						
	2012	84.395	314,675		312,349	
	2011	84.395	15,891		42,372	
Total ARRA - Race to the Top			<u>330,566</u>		<u>354,721</u>	
Education Jobs						
	2012	84.410	2,793,772		2,793,772	
Total U.S. Department of Education			<u>9,953,222</u>		<u>10,576,834</u>	
TOTAL FEDERAL ASSISTANCE			<u>\$13,930,854</u>	<u>\$323,518</u>	<u>\$14,554,593</u>	<u>\$323,518</u>

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

**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 8, 2013.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 8, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Hamilton City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Hamilton City School District's major federal programs for the year ended June 30, 2012. 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 we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Hamilton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2012-03.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2012-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 8, 2013.

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 audit committee, management, Board of Education others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 8, 2013

HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.410: Education Jobs Funds Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.391: ARRA – Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants CFDA #84.392: ARRA – Special Education-Preschool Grants CFDA #84.010: Title I CFDA #84.389: ARRA – Title I
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$446,343 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-01

Noncompliance Citation / Material Weakness

Ohio Administrative Code, § 117-2-01(D), states that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District lacked management oversight to ensure that interest, discounts and premiums related to certain investment accounts were accurately recorded. The District recorded interest, discounts and premiums related to certain investment accounts in such a way as to overstate revenue, resulting in an overstatement of net assets/fund balances. The District had two investment accounts that did not reconcile to the accounting records at June 30, 2012:

- The Bond Proceeds account (accounted for in the Permanent Improvement Fund) was closed out at year-end; this account had an account balance of \$0, but was recorded in the District accounting records with a balance of \$379,430.
- The Operating account (accounted for in the General Fund) did not reconcile to the District accounting records by \$101,648 and at June 30, 2012 the District records and financial statements were overstated.

Accounting records related to the Operating account were also overstated by \$3,055.

Monthly reconciliations were performed by the Assistant Treasurer and reviewed by the Treasurer; however, the reconciliations were not accurate.

The District recorded audit adjustments to the financial statements and accounting records to decrease the July 1, 2011 cash balance for the General Fund and Permanent Improvement Fund by \$99,786 and \$379,430, respectively, and decrease fiscal year 2012 interest income in the General Fund by \$4,917.

The lack of proper management oversight resulted in material misstatements. To improve recordkeeping and accountability of the District's investments, we recommend that the District record securities at the cost basis. Reconciliations should be carefully performed and reviewed.

Officials' Response:

The District will implement the recommended change.

FINDING NUMBER 2012-02

Noncompliance Citation

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

**FINDING NUMBER 2012-02
 (Continued)**

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

Officials' Response:

The District reluctantly eliminated the GAAP statements as part of our multi- million dollar budget reductions in FY11.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Noncompliance Citation / Questioned Cost / Significant Deficiency – Allowable Costs

Finding Number	2012-03
CFDA Title and Number	Title I, Part A Cluster: CFDA #84.010 & 84.389
Federal Award Number / Year	2012
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Attachment B, paragraph 8.d.(3) states that for payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided that they are allocated as a general administrative expense to all activities of the governmental unit or component. The District paid out an employee for unused leave upon their departure at the end of the fiscal year. The District paid the entire payout using Title I Funds. However the employee accrued unused leave in previous years while being paid from funds other than Title I. The District did not use a cost allocation plan in the payout of this employee. This resulted in questioned costs totaling \$11,664. We recommend the District use a cost allocation plan in paying out employees from Federal Funds or to payout employees exclusively from the General Fund.

Officials' Response:

The District will implement the recommended change.

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**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Revised Code, Section 117.38; Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles.	No	Not Corrected – Reissued as Finding 2012-02.
2011-02	Failure to properly report financial activity in the annual financial report.	Yes	Corrected
2011-03	American Recovery and Reinvestment Act of 2009, Section 1512(b) & (c), failure to report vendors receiving single payments of more than \$25,000.	N/A	Finding No Longer Valid. Testing was not required in FY12.

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**HAMILTON CITY SCHOOL DISTRICT
BUTLER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-003	Severance payments will be coded on a pro-rata basis to the fund from which the employee was paid on an annual basis.	Immediate	Robert Hancock

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HAMILTON CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2013