

***HAMILTON LOCAL SCHOOL DISTRICT***

---

**FRANKLIN COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2004**

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

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







**Auditor of State  
Betty Montgomery**

Board of Trustees  
Hamilton Local School District

We have reviewed the Independent Auditor's Report of the Hamilton Local School District, Franklin County, prepared by J.L. Uhrig and Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 4, 2005

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**HAMILTON LOCAL SCHOOL DISTRICT**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamilton Local Digital Academy, the discretely presented component unit. These financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Hamilton Local Digital Academy, is based solely on the report of the other auditors.

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

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

In our opinion, based on our audit and the report of the other auditors, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.



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

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We and the other auditors have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 25, 2005

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Hamilton Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

As management of the Hamilton Local School District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$ 6 million (net assets).
- The District's net assets increased by \$ 1,835,072, or 44%. Program revenues accounted for \$ 3 million or 12% of total revenues, and general revenues accounted for \$ 21.8 million, or 88%.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 3.4 million, a decrease of \$ 3 million in comparison with the prior year. Of this total amount, \$0.3 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was negative \$ 2.4 million.

### **Overview of the Financial Statements**

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

#### **Government-wide financial statements**

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

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

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

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

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**Fund Financial Statements**

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

*Governmental Funds*

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

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

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

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

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

*Proprietary Funds*

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

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

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*Fiduciary Funds*

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

**Notes to the basic financial statements**

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 6 million at the close of the most recent fiscal year.

A large portion of the District's net assets, totaling \$3.1 million, reflects its investment in capital assets (e.g. land, buildings, equipment, etc.); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the District's net assets totaling \$4.3 million is restricted. The majority of this restricted balance is for capital projects.

	District Net Assets	
	2003	2004
Current Assets	\$ 17,211,461	\$ 16,034,070
Capital Assets	15,461,410	19,522,293
Total Assets	32,672,871	35,556,363
Current Liabilities	10,428,516	12,040,256
Long-Term Liabilities	18,073,087	17,509,767
Total Liabilities	28,501,603	29,550,023
Net Assets:		
Invested in Capital Assets, net of related debt	3,729,300	3,083,461
Restricted	8,200,579	4,321,690
Unrestricted	(7,758,611)	(1,398,811)
Total Net Assets	\$ 4,171,268	\$ 6,006,340

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For the Fiscal Year Ended June 30, 2004  
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*Governmental Activities*

The District's net assets increased by \$ 1,835,072, or 44%. This is an increase from last year when net assets increased by \$72,728, or 1.8%. Key elements of these increases are as follows:

**Changes in Net Assets  
Governmental Activities**

Revenues:	2003	2004
Program Revenues		
Charges for Services	\$ 758,154	\$ 933,785
Operating Grants	1,199,235	2,079,263
Total Program Revenues	1,957,389	3,013,048
General Revenues		
Property Taxes	9,240,868	7,984,227
Grants and Entitlements	11,330,913	12,924,919
Other Revenue	1,135,150	900,127
Total General Revenue	21,706,931	21,809,273
Total Revenues	23,664,320	24,822,321
Expenses:		
Program Expenses		
Instruction	11,420,319	11,665,777
Support Services	9,327,339	8,964,763
Non-Instructional	912,070	968,631
Extra Curricular Activities	816,344	654,489
Interest and Fiscal Charges	887,784	717,716
Miscellaneous	227,736	15,873
Total Expenses	23,591,592	22,987,249
Changes in Net Assets	72,728	1,835,072
Beginning Net Assets	4,098,540	4,171,268
Ending Net Assets	\$ 4,171,268	\$ 6,006,340

Total revenues for governmental activities increased \$1,158,001 or 4.9% over the last year and expenses decreased \$604,343 or 2.6% over last year.

The District had program revenue increases for governmental activities of \$1,055,659, as well as an increase in general revenues of \$102,342. The increase in program revenues is mostly due to an increase in operating grants related to administrative operations reported as program revenue. There were two significant changes in general revenues. Property taxes decreased \$1,256,641, or 13.6% due to an increase in taxes receivable accrued. The remaining difference is due to an increase in grants and entitlements not restricted to specific programs of \$1,604,006, or 14.2%.

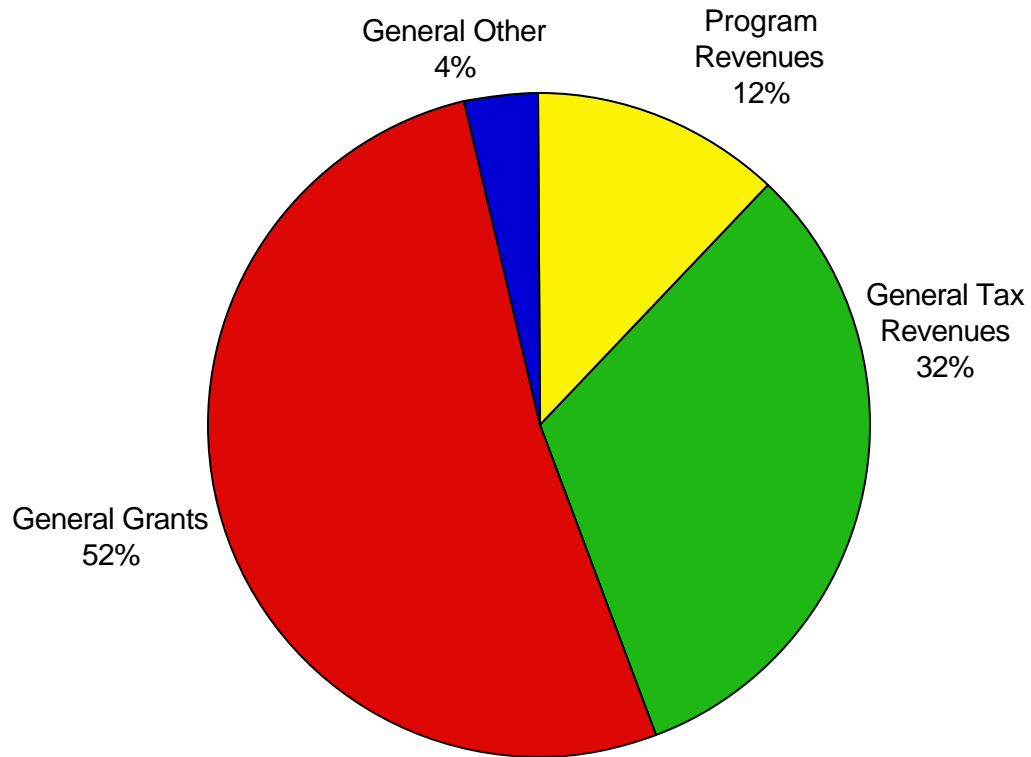
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Total expenses for governmental activities decreased as a result of significant decreases in support services. The decrease in support services is the result of the District's efforts to reduce expenses.

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

	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>	<b>Total Cost of Services 2003</b>	<b>Net Cost of Services 2003</b>
<b>Program Expenses</b>				
Instruction				
Regular	\$ 8,311,021	\$ 7,964,721	\$ 8,611,274	\$ 8,393,209
Special	2,094,569	1,179,295	1,885,922	1,186,118
Vocational	524,399	524,399	562,246	562,246
Other	735,788	735,788	360,877	360,877
Support Services				
Pupil	831,882	831,882	998,766	967,490
Instructional Staff	543,634	424,353	730,056	687,806
Board of Education	358,940	358,940	199,536	199,536
Administration	2,068,283	1,474,453	1,945,114	1,934,456
Fiscal Services	1,912,870	1,912,870	2,514,981	2,514,981
Maintenance	2,237,989	2,237,989	1,949,288	1,949,288
Pupil Transportation	979,408	979,408	863,975	863,975
Central	31,757	31,757	125,623	125,623
Noninstructional Activities	968,631	186,085	912,070	160,797
Extracurricular Activities	654,489	398,672	816,344	612,281
Interest and Fiscal Charges	717,716	717,716	887,784	887,784
Miscellaneous	15,873	15,873	227,736	227,736
<b>Total Expense</b>	<b><u>\$ 22,987,249</u></b>	<b><u>\$ 19,974,201</u></b>	<b><u>\$ 23,591,592</u></b>	<b><u>\$ 21,634,203</u></b>

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The District's reliance upon tax revenues is demonstrated by the graph above indicating 32% of total revenues from local taxes. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$19.9 million of support, as well as the graph above, indicating general revenues comprise 88% of total revenues.



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

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

*Governmental Funds*

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.4 million, a decrease of \$3 million in comparison with the prior year. Approximately 10% of this amount (\$0.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1.5 million) or for a variety of other restricted purposes (\$ 1.5 million).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ (810,640)	\$ (1,873,642)	\$ 1,063,002
Construction	2,864,704	6,627,806	(3,763,102)
Other Governmental	1,303,656	1,617,329	(313,673)
Total	<u>\$ 3,357,720</u>	<u>\$ 6,371,493</u>	<u>\$ (3,013,773)</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$2.4 million, while total fund balance was negative \$.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents -12% of total general fund expenditures, while total fund balance represents -0.4% of that same amount.

The District's general fund fund balance increased by \$ 1.1 million during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

Hamilton Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

General Fund Revenue Comparative Analysis

<i>Revenues</i>	<i>2004 Amount</i>	<i>2003 Amount</i>	<i>Percentage Change</i>
Taxes	\$ 6,462,601	\$ 7,298,617	-11%
Intergovernmental	13,473,402	11,846,682	14%
Interest	26,571	165,611	-84%
Tuition and Fees	69,701	43,383	61%
Rentals	-	44,134	-100%
Other	109,766	92,465	19%
Total	<u>\$ 20,142,041</u>	<u>\$ 19,490,892</u>	3%

Intergovernmental revenues of the general fund increased \$ 1.6 million, or 14%. This increase is the result of an increase in school foundation grants received from the Department of Education, which directly correlates with a significant increase in the District's student enrollment.

The District's general fund expenditures decreased \$ 36,409, or .2%, over the prior year.

**General Fund Budget Information**

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

The District's original and final amended appropriations and estimated resources remained unchanged throughout the year. The District's actual expenditures plus encumbrances exceeded the final amended appropriation balance by \$719,106.

**Capital Assets**

The District's investment in capital assets as of June 30, 2004, amounts to \$ 3.1 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, furniture, fixtures and equipment, vehicles, and land improvements. Total acquisitions for the current fiscal year were \$ 17.1 million and depreciation was \$ 924,384. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 8).

**Debt**

At June 30, 2004, the District had \$ 16.3 million in outstanding bonds payable. The District paid \$610,000 in principal on bonds outstanding during the fiscal year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 13).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total value of real and personal property. At June 30, 2004, the District's general obligation debt was below the legal limit.

Hamilton Local School District  
Management's Discussion & Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

**Restrictions and Other Limitations**

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

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

**Contacting the District's Financial Management**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2004

	Primary Government Governmental Activities	Component Unit Hamilton Local Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 6,261,641	\$ 55,958
Receivables:		
Taxes	9,462,039	-
Accounts	26,505	-
Intergovernmental	264,515	-
Inventory Held for Resale	19,370	-
Nondepreciable Capital Assets	287,699	
Depreciable Capital Assets, Net	19,234,594	19,752
<b>Total Assets</b>	<b>35,556,363</b>	<b>75,710</b>
<b>Liabilities</b>		
Accounts Payable	356,039	-
Accrued Salaries Payable	1,826,560	-
Intergovernmental Payable	1,902,961	13,810
Deferred Revenue	7,954,696	-
Long-Term Liabilities		
Due within One Year	827,667	-
Due in More Than One Year	16,682,100	-
<b>Total Liabilities</b>	<b>29,550,023</b>	<b>13,810</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,083,461	19,752
Restricted for:		
Other Purposes	-	6,624
Debt Service	312,996	-
Capital Projects	4,008,694	-
Unrestricted	(1,398,811)	35,524
<b>Total Net Assets</b>	<b>\$ 6,006,340</b>	<b>\$ 61,900</b>

**See accompanying notes to the financial statements**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Hamilton Local Digital Academy
<b>Governmental Activities</b>					
Instruction					
Regular Instruction	\$ 8,311,021	\$ 69,701	\$ 276,599	\$ (7,964,721)	\$ -
Special Instruction	2,094,569	58,920	856,354	(1,179,295)	-
Vocational Instruction	524,399	-	-	(524,399)	-
Other Instruction	735,788	-	-	(735,788)	-
Support Services					
Pupils	831,882	-	-	(831,882)	-
Instructional Staff	543,634	-	119,281	(424,353)	-
Board of Education	358,940	-	-	(358,940)	-
Administration	2,068,283	71,582	522,248	(1,474,453)	-
Fiscal Services	1,912,870	-	-	(1,912,870)	-
Maintenance	2,237,989	-	-	(2,237,989)	-
Pupil Transportation	979,408	-	-	(979,408)	-
Central	31,757	-	-	(31,757)	-
Non-instructional	968,631	477,765	304,781	(186,085)	-
Extra Curricular Activities	654,489	255,817	-	(398,672)	-
Interest and Fiscal Charges	717,716	-	-	(717,716)	-
Miscellaneous	15,873	-	-	(15,873)	-
<b>Total Governmental Activities</b>	<b>\$ 22,987,249</b>	<b>\$ 933,785</b>	<b>\$ 2,079,263</b>	<b>\$ (19,974,201)</b>	<b>\$ -</b>
<b>Component Unit</b>					
Hamilton Local Digital Academy	273,953	-	335,853	-	61,900
<b>Total Component Unit</b>	<b>273,953</b>	<b>-</b>	<b>335,853</b>	<b>-</b>	<b>61,900</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes				6,462,601	-
Debt Service				1,125,785	-
Capital Projects				395,841	-
Grants & Entitlements not Restricted to Specific Programs				12,924,919	-
Payment in Lieu of Taxes				712,318	-
Investment Earnings				78,043	-
Miscellaneous				109,766	-
<b>Total General Revenues</b>				<b>21,809,273</b>	<b>-</b>
<b>Change in Net Assets</b>				<b>1,835,072</b>	<b>61,900</b>
Net Assets Beginning of Year				4,171,268	-
Net Assets End of Year				<b>\$ 6,006,340</b>	<b>\$ 61,900</b>

**See accompanying notes to the financial statements**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 989,761	\$ 2,957,717	\$ 1,522,156	\$ 5,469,634
Receivables:				
Taxes	7,678,964	-	1,783,075	9,462,039
Accounts	25,153	-	1,352	26,505
Intergovernmental	-	-	264,515	264,515
Inventory Held for Resale	-	-	19,370	19,370
Interfund Receivable	269,208	-	9,741	278,949
Due From Other Funds	308,963	-	-	308,963
Total Assets	<u>9,272,049</u>	<u>2,957,717</u>	<u>3,600,209</u>	<u>15,829,975</u>
<b>Liabilities:</b>				
Accounts Payable	164,521	93,013	94,599	352,133
Accrued Salaries Payable	1,649,088	-	177,472	1,826,560
Intergovernmental Payable	1,395,808	-	2,494	1,398,302
Due to Other Funds	-	-	308,963	308,963
Interfund Payable	302,842	-	40,108	342,950
Deferred Revenue	6,436,210	-	1,672,917	8,109,127
Compensated Absences Payable	134,220	-	-	134,220
Total Liabilities	<u>10,082,689</u>	<u>93,013</u>	<u>2,296,553</u>	<u>12,472,255</u>
<b>Fund Balances:</b>				
Reserved				
Encumbrances	321,129	942,760	194,019	1,457,908
Supplies Inventory	-	-	19,370	19,370
Property Taxes	1,242,754	-	293,603	1,536,357
Unreserved, Reported in:				
General Fund	(2,374,523)	-	-	(2,374,523)
Special Revenue Funds	-	-	(290,985)	(290,985)
Debt Service Fund	-	-	95,553	95,553
Capital Project Funds	-	1,921,944	992,096	2,914,040
Total Fund Balances	<u>(810,640)</u>	<u>2,864,704</u>	<u>1,303,656</u>	<u>3,357,720</u>
Total Liabilities and Fund Balances	<u>\$ 9,272,049</u>	<u>\$ 2,957,717</u>	<u>\$ 3,600,209</u>	<u>\$ 15,829,975</u>

**See accompanying notes to the financial statements**

Hamilton Local School District  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004

**Total Governmental Fund Balances** **\$3,357,720**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,522,293

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 154,431

Internal service funds are used by management to charge costs of the employer share of payroll related costs and self insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 347,443

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

	Compensated Absence Payable	(1,029,728)
	General Obligation Debt	(16,345,819)
		(17,375,547)

***Net Assets of Governmental Activities*** **\$6,006,340**

**See accompanying notes to the financial statements**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,462,601	\$ -	\$ 1,521,626	\$ 7,984,227
Intergovernmental	13,473,402	-	2,073,010	15,546,412
Charges for Services	-	-	480,550	480,550
Interest	26,571	47,894	3,578	78,043
Tuition and Fees	69,701	-	58,920	128,621
Extracurricular Activities	-	-	207,831	207,831
Other	109,766	-	116,783	226,549
<b>Total Revenues</b>	<b>20,142,041</b>	<b>47,894</b>	<b>4,462,298</b>	<b>24,652,233</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,180,475	-	430,790	8,611,265
Special	1,449,550	-	629,080	2,078,630
Vocational	512,980	-	2,860	515,840
Other	735,788	-	-	735,788
Support services:				
Pupils	791,950	-	35,953	827,903
Instructional Staff	663,279	-	49,361	712,640
Board of Education	358,940	-	-	358,940
Administration	1,705,348	-	336,454	2,041,802
Fiscal	1,890,213	-	17,436	1,907,649
Operation and Maintenance of Plant	2,015,912	-	141,791	2,157,703
Pupil Transportation	874,477	-	-	874,477
Central	28,759	-	-	28,759
Non-instructional Services	780	-	962,165	962,945
Extracurricular Activities	462,608	-	180,428	643,036
Capital Outlay	-	3,810,996	-	3,810,996
Debt service:				
Principal Retirement	-	-	610,000	610,000
Interest and Fiscal Charges	-	-	787,633	787,633
<b>Total Expenditures</b>	<b>19,671,059</b>	<b>3,810,996</b>	<b>4,183,951</b>	<b>27,666,006</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	470,982	(3,763,102)	278,347	(3,013,773)
<b>Other financing sources (uses):</b>				
Transfers In	837,733	-	245,713	1,083,446
Transfers Out	(245,713)	-	(837,733)	(1,083,446)
<b>Total other financing sources (uses)</b>	<b>592,020</b>	<b>-</b>	<b>(592,020)</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,063,002	(3,763,102)	(313,673)	(3,013,773)
Fund Balance at Beginning of Year	(1,873,642)	6,627,806	1,617,329	6,371,493
Fund Balance at End of Year	<u>\$ (810,640)</u>	<u>\$ 2,864,704</u>	<u>\$ 1,303,656</u>	<u>\$ 3,357,720</u>

See accompanying notes to the financial statements



Hamilton Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** **\$ (3,013,773)**

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

Governmental funds report capital outlays as expenditures.

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

4,060,883

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

240,005

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

610,000

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

(62,043)

**Change in Net Assets of Governmental Activities**

**\$ 1,835,072**

**See accompanying notes to the financial statements**

HAMILTON LOCAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCES  
BUDGET AND ACTUAL (Non-GAAP Budgetary Basis)  
General Fund  
For the fiscal year ended June 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
Revenues:				
Intergovernmental	\$ 13,164,122	\$ 13,987,111	\$ 13,473,402	\$ (513,709)
Property and Other Taxes	6,608,992	7,022,171	6,764,265	(257,906)
Interest	25,961	27,584	26,571	(1,013)
Tuition and Fees	68,335	72,607	69,940	(2,667)
Miscellaneous	116,137	123,398	118,866	(4,532)
Total Revenues	<u>19,983,547</u>	<u>21,232,871</u>	<u>20,453,044</u>	<u>(779,827)</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,127,088	8,127,088	8,192,710	(65,622)
Special	1,438,705	1,438,705	1,450,322	(11,617)
Vocational	509,190	509,190	513,302	(4,112)
Other	714,760	714,760	720,531	(5,771)
Support Services:				
Pupils	821,646	821,646	828,280	(6,634)
Instructional Staff	625,176	625,176	630,224	(5,048)
Board of Education	356,477	356,477	359,355	(2,878)
Administration	1,706,306	1,706,306	1,720,084	(13,778)
Fiscal	2,210,611	2,210,611	2,228,461	(17,850)
Operation and Maintenance of Plant	2,101,364	2,101,364	2,118,331	(16,967)
Pupil Transportation	968,181	968,181	975,998	(7,817)
Central	28,299	28,299	28,527	(228)
Extracurricular Activities	467,246	467,246	471,019	(3,773)
Total Expenditures	<u>20,075,049</u>	<u>20,075,049</u>	<u>20,237,144</u>	<u>(162,095)</u>
Excess of Revenues Over (Under) Expenditures	<u>(91,502)</u>	<u>1,157,822</u>	<u>215,900</u>	<u>(941,922)</u>
Other Financing Sources (Uses):				
Transfers -In	1,790,525	1,790,525	837,733	(952,792)
Transfers -Out	0	0	(245,713)	(245,713)
Advances - Out	0	0	(308,963)	(308,963)
Total Other Financing Sources (Uses)	<u>1,790,525</u>	<u>1,790,525</u>	<u>283,057</u>	<u>(1,507,468)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,699,023	2,948,347	498,957	(2,449,390)
Fund Balances at Beginning of Year	(147,897)	(147,897)	(147,897)	0
Prior Year Encumbrances Appropriated	226,733	226,733	226,733	0
Fund Balances at End of Year	<u>\$1,777,859</u>	<u>\$3,027,183</u>	<u>\$577,793</u>	<u>(\$2,449,390)</u>

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2004

	Governmental Activities - Internal Service Funds
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 792,007
Interfund Receivable	342,950
Total Current Assets	<u>1,134,957</u>
<b>Current Liabilities</b>	
Account Payable	3,906
Intergovernmental Payable	504,659
Interfund Payable	278,949
Total Current Liabilities	<u>787,514</u>
<b>Net Assets</b>	
Unrestricted	347,443
Total Net Assets	<u>\$ 347,443</u>

**See accompanying notes to the financial statements**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Funds
<b>Operating Revenues:</b>	
Charges for Services	\$ 1,882,092
Miscellaneous	45,832
Total Operating Revenues	1,927,924
<b>Operating Expenses:</b>	
Fringe Benefits	1,885,996
Purchased Services	61,475
Total Operating Expenses	1,947,471
Operating Income (Loss)	(19,547)
Net Assets at Beginning of Year	366,990
Net Assets at End of Year	\$ 347,443

**See accompanying notes to the financial statements.**

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Funds
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 1,811,653
Cash Paid for Goods and Services	(1,847,555)
Net cash used by operating activities	(35,902)
Net Increase (Decrease) in Cash and Cash Equivalents	(35,902)
Cash and Cash Equivalents at Beginning of Year	827,909
Cash and Cash Equivalents at End of Year	\$ 792,007
 <b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>	
Operating Income/(Loss)	\$ (19,547)
 <b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>	
Change in Assets and Liabilities	
Decrease in Accounts Receivable	11,051
(Increase) in Interfund Receivable	(116,271)
Increase in Accounts Payable	3,906
Increase in Intergovernmental Payable	96,437
(Decrease) in Interfund Payable	(11,478)
Total Adjustments	(16,355)
Net Cash Used by Operating Activities	\$ (35,902)

**See accompanying notes to the financial statements**

HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2004

	Agency Funds
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 76,434
Accounts Receivable	61
Total Assets	<u>76,495</u>
<b>Liabilities</b>	
Due to Students	<u>76,495</u>
Total Liabilities	<u>\$ 76,495</u>

See accompanying notes to the financial statements

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 1 - NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY**

The Hamilton Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. Average daily membership (ADM) as of October 1, 2003, was 2,876. The District employed 226 certified employees and 85 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has two component units: Hamilton Local Digital Academy and Hamilton Boosters Club. The District has included the Hamilton Local Digital Academy as part of its financial statements and additional concerning the component unit information is presented in Note 20.

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

---

**NOTE 1 - NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY**

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

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

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



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

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

**A. Fund Accounting**

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

*Governmental Fund Types:*

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

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

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

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

*Proprietary Fund Types:*

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

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

*Fiduciary Fund Types:*

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**B. Basis of Presentation**

*Government-wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**C. Basis of Accounting**

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

*Revenues, Exchange and Non-exchange Transactions*

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

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

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

*Deferred Revenue*

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

*Expenditures/Expenses*

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

**D. Cash and Investments**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**D. Cash and Investments (Continued)**

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

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

**E. Inventory**

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

**F. Capital Assets and Depreciation**

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**G. Intergovernmental Revenues**

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

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

Major - General Fund:

Entitlements:

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

Reimbursable Grants:

- Driver Education
- Telecommunications Act Grant
- Vocational Education

Non-major governmental funds:

Non-Reimbursable Grants:

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

Reimbursable Grants:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 60% of the District's operating revenue during the 2004 fiscal year.

**H. Interfund Activity**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

**I. Compensated Absences**

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

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

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

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

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

**K. Fund Balance Reserves**

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

**L. Encumbrances**

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

**M. Estimates**

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Budgetary Noncompliance**

The General Fund had budgetary expenditures (expenditures plus encumbrances) of \$20,794,155, which exceeded appropriations of \$20,075,049.

The Federal Project Funds had appropriations that exceeded estimated resources by \$73,429.

**Fund Deficits**

Primarily due to the application of generally accepted accounting principles, the following funds, in addition to the general fund, had a deficit fund balance as of June 30, 2004:

Fund	Deficit Balance
General Fund	(810,640)
Food Service	(63,344)
District-Managed Activities	(13,371)
Title II	(12,248)
Title VI-B	(7,381)
Title I	(78,390)
Title VI	(49,924)
Drug-Free Schools	(3,554)
Other Federal Grants	(83,400)

**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

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

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

<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	
	General Fund
GAAP Basis	\$ 1,063,002
Revenue Accruals	311,003
Expenditure Accruals	(462,076)
Encumbrances	(412,972)
Budget Basis	<u>\$ 498,957</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety bonds deposited with the treasurer by the financial institution or by a single collateral pool. By law, financial institutions must establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds on deposit. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees.

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

*Deposits*

At year-end, the carrying amount of the District's deposits was \$969,403 and the bank balance was \$1,061,549. Of the bank balance, \$100,000 was covered by federal deposit insurance and \$959,465 was uninsured and uncollateralized. The remaining \$2,084 represents petty cash maintained by the District. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments*

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the District's Investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the District holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. STAROhio and money market funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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

	Category 3	Carrying Value	Fair Value
Federal Agency Securities	\$ 511,463	\$ 511,463	\$ 511,463
Money Market Mutual Fund		1,628,221	1,628,221
STAROhio		3,228,988	3,228,988
		\$ 5,368,672	\$ 5,368,672

Reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 6,338,075	\$ 0
Investments which are part of cash management pool:		
Federal Agency Securities	(511,463)	511,463
Money Market Mutual Fund	(1,628,221)	1,628,221
STAROhio	(3,228,988)	3,228,988
GASB Statement No. 3	\$ 969,403	\$ 5,368,672

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE 6 - PROPERTY TAXES**

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	Calendar Year 2003		Calendar Year 2004	
	Second Half Collections		First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 128,936,320	50.21%	\$ 129,788,270	50.14%
Real Property - Commercial / Industrial	64,471,020	25.11%	65,164,650	25.17%
Real Property - Public Utilities	123,730	0.05%	122,160	0.05%
Personal Property - General	50,625,950	19.72%	51,342,011	19.83%
Personal Property - Public Utilities	12,609,600	4.91%	12,434,480	4.81%
Total Assessed Values	<u>\$ 256,766,620</u>	<u>100.00%</u>	<u>\$ 258,851,571</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 53.65		\$ 53.65

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

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

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2004 second-half property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2004 was \$1,536,357.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of intergovernmental receivables follows:

Other Governmental Funds:	
Food Service	\$ 38,926
Winner's League Grant	71,158
Title I	133,136
Title IV	9,295
Learn and Serve (Jump Start)	<u>12,000</u>
Total Intergovernmental Receivables	<u>\$ 264,515</u>

**NOTE 8 – CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 287,699	\$ -	\$ -	\$ 287,699
Capital assets, being depreciated:				
Buildings	6,060,492	13,288,648	-	19,349,140
Improvements	319,183	-	-	319,183
Furniture and equipment	6,091,753	1,253,916	(76,652)	7,269,017
Vehicles	1,358,733	54,015	-	1,412,748
Construction-in-progress	<u>9,595,439</u>	<u>1,648,495</u>	<u>(11,243,934)</u>	<u>-</u>
Total capital assets	<u>23,713,299</u>	<u>16,245,074</u>	<u>(11,320,586)</u>	<u>28,637,787</u>
Less accumulated depreciation for:				
Buildings	(4,179,944)	(412,521)	-	(4,592,465)
Improvements	(80,567)	(19,259)	-	(99,826)
Furniture and equipment	(3,109,121)	(407,957)	60,779	(3,456,299)
Vehicles	<u>(882,257)</u>	<u>(84,647)</u>	<u>-</u>	<u>(966,904)</u>
Total accumulated depreciation	<u>(8,251,889)</u>	<u>(924,384)</u>	<u>60,779</u>	<u>(9,115,494)</u>
Total capital assets, net	<u>\$ 15,461,410</u>	<u>\$ 15,320,690</u>	<u>\$ (11,259,807)</u>	<u>\$ 19,522,293</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 571,238
Special	1,294
Vocational	7,619
Support Services:	
Pupil	17,392
Instructional Staff	69,523
Administration	9,757
Fiscal Services	4,981
Operations & Maintenance	130,043
Pupil Transportation	96,450
Central	2,174
Noninstructional Services	2,460
Extracurricular Activities	<u>11,453</u>
Total Depreciation Expense	<u>\$ 924,384</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

**Funding Policy.** Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$277,637, \$195,723, and \$321,672, respectively. 42.09% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$160,792, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the paying fund.

**State Teachers Retirement System**

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**State Teachers Retirement System(Continued)**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2003, were 9.3 percent of covered payroll for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004 2003, and 2002, were \$1,350,598, \$1,294,978, and \$1,396,740, respectively. 86.67% has been contributed for fiscal years 2004 and 100% for fiscal years 2003 and 2002. \$180,024, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the paying fund.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, the healthcare allocation was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

The number of recipients currently receiving health care benefits is approximately 50,000. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$188,093.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

**State Teachers Retirement System**

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

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

The Retirement Board allocates employer contributions equal to the Health Care Stabilization Fund from which health care benefits are paid. Effective July 1, 2002, 1% of covered payroll was allocated by the board to post-employment health care. For the District, the amount contributed to fund postemployment benefits during fiscal year 2004 was \$103,892.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Classified employees must have been employed by the District for a minimum of five consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty six days, plus one day for each year in which no more than three days of sick leave are used.

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 12 – RISK MANAGEMENT**

**A. General Risk**

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

**B. Workers' Compensation-Public Entity Risk Pool**

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

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

**C. Health Insurance**

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



**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the fiscal year 2004 were as follows:

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Amounts Due <u>in One Year</u>
General Obligation Bonds Payable:					
1990 School Improvement Bond, 5.75%, maturing December 2005	\$ 300,000	\$ 0	\$ (100,000)	\$ 200,000	100,000
1996 School Improvement Bond, 5.75%, maturing June 2007	560,000	0	(130,000)	430,000	135,000
2001 Construction Bond, 5.16%, maturing December 2028	<u>16,095,818</u>	<u>0</u>	<u>(380,000)</u>	<u>15,715,818</u>	<u>415,000</u>
Total General Obligation Bonds Payable	16,955,818	0	(610,000)	16,345,818	650,000
Compensated Absences Payable	<u>1,117,268</u>	<u>46,681</u>	<u>0</u>	<u>1,163,949</u>	<u>177,667</u>
	<u>\$ 18,073,086</u>	<u>\$ 46,681</u>	<u>\$ (610,000)</u>	<u>\$ 17,509,767</u>	<u>\$ 827,667</u>

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

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

The District's overall legal debt margin available was \$6,950,823 with an unvoted debt margin of \$258,852 at June 30, 2004.

The annual requirement to amortize all bonds outstanding as of June 30, 2004 is as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2005	650,000	759,570	1,409,570
	2006	675,000	729,488	1,404,488
	2007	595,000	701,296	1,296,296
	2008	470,000	835,395	1,305,395
	2009	167,621	992,989	1,160,610
	Thereafter	<u>13,788,197</u>	<u>8,792,627</u>	<u>22,580,824</u>
		<u>\$ 16,345,818</u>	<u>\$ 12,811,365</u>	<u>\$ 29,157,183</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 15 - STATUTORY RESERVES**

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

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

	Textbook	Capital Acquisition	Totals
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Set-aside Beginning Balance	\$ (711,358)	\$ 0	\$ (711,358)
Current year set-aside requirements	399,087	399,087	798,174
Current year offsets	0	(450,835)	(450,835)
Qualifying disbursements	(226,426)	(225,989)	(452,415)
Set-aside Ending Balance	<u>\$ (538,697)</u>	<u>\$ (277,737)</u>	<u>\$ (816,434)</u>
Set-aside Carryover Balance	<u>\$ (538,697)</u>	<u>\$ 0</u>	
Set-aside Reserve Balance	<u>\$ 0</u>	<u>\$ 0</u>	

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

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

**NOTE 17 - SCHOOL FUNDING DECISION**

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

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 18 – INTERFUND ASSETS/LIABILITIES**

Interfund receivables and payables at June 30, 2004 were as follows:

<u>Fund</u>	<u>To/From</u>	<u>Amount</u>
Interfund Receivable s:		
General Fund	Workers Compensation	\$ 269,208
Other Governmental Funds :		
Food Service	Workers Compensation	8,385
Digital Academy	Workers Compensation	1,356
		<u>\$ 278,949</u>
Interfund Payables:		
Retirement	General Fund	\$ 302,842
Other Governmental Funds:		
Retirement	Food Service	35,663
Retirement	Digital Academy	870
Retirement	Title VI-B	1,683
Retirement	Title I	202
Retirement	Title II	1,690
		<u>\$ 342,950</u>

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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**NOTE 19 – INTERFUND TRANSFERS**

Interfund transfers during the fiscal year were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Debt Service	\$ 141,825
	SchoolNet Plus	68,415
	Food Service	35,364
	Ohio SchoolNet	109
Other Governmental Funds:		
Professional Development	General Fund	12,639
Ohio SchoolNet	General Fund	1,704
Ohio Reads	General Fund	17,408
Entry Year	General Fund	18,962
Eisenhower	General Fund	27,422
Title VI-B	General Fund	161,522
Title I	General Fund	234,028
Title VI	General Fund	48,584
Drug-Free	General Fund	704
Fourman Mini-Grant	General Fund	11
Classroom Reduction	General Fund	26,509
Teacher Quality	General Fund	28,633
School Improvement	General Fund	98,572
Title II-D	General Fund	10,846
SchoolNet Plus	General Fund	149,639
Technology Equity	General Fund	392

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

**HAMILTON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE 20 - COMPONENT UNIT DISCLOSURES**

**Summary Of Significant Accounting Policies**

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

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

	Years
Computers	5 years

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

**Cash, Deposits**

As of June 30, 2004, the carrying amount of Digital Academy’s deposits was \$55,958 and the bank balance was \$315,809.

**Depreciable Capital Assets**

A summary of changes in depreciable capital assets during the fiscal year ended June 30, 2004 consist of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Depreciable Capital Assets:</i>				
Equipment	0	23,238	0	23,238
Total Depreciable Capital Assets	0	23,238	0	23,238
<i>Total Accumulated Depreciation:</i>				
Depreciable Capital Assets, Net	0	(3,486)	0	(3,486)
Total Capital Assets, Net	0	\$19,752	\$0	\$19,752
	\$0	\$19,752	\$0	\$19,752

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

The Digital Academy maintains its cash balance at a single financial institution. The account at this institution is insured by Federal Deposit Insurance Corporation or FDIC up to \$100,000. The Digital Academy’s account balance has exceeded the FDIC limit at the financial institution by \$218,809.

**HAMILTON LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2004

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$20,935	\$20,935
National School Lunch Program	LL-P4	10.555	243,255	243,255
<b>Total U.S. Department of Agriculture</b>			264,190	264,190
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1	84.010	380,951	507,834
Special Education - Grants to States (IDEA Part B)	6B-SF	84.027	510,033	329,267
Safe and Drug-Free Schools and Communities	DR-S1	84.186	9,759	13,314
Eisenhower Professional Development Grant	MS-S1	84.281	0	12,248
Innovative Educational Program Strategies	C2-S1	84.298	20,554	23,055
Technology Literacy Challenge	TJ-S1	84.318	17,558	15,624
State Program Improvement Grants for Children with Disabilities	ST-S1	84.323	70,000	90,791
Comprehensive School Reform	RF-S1	84.332	86,200	100,968
Improving Teacher Quality	TR-S1	84.367	103,238	75,544
<b>Total U.S. Department of Education</b>			1,198,293	1,168,645
<b><u>U.S. Corporation for National and Community Service</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Learn and Serve America-School and Community	SV-S1	94.004	15,000	8,000
<b>Total U.S. Corporation for National and Community Service</b>			15,000	8,000
<b>Total Federal Financial Assistance</b>			\$1,477,483	\$1,440,835

**Note 1 - Noncash Federal Financial Assistance**

During the year ended June 30, 2004, the District received \$61,709 and used \$61,709 in fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, Federal CFDA Number 10.550, that is not reported in the above schedule. At June 30, 2004 the District had \$10,396 of food commodities inventory.

**Note 2 - Significant Accounting Policies**

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

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Local School District (the District), as of and for the year ended June 30, 2004 and have issued our report thereon dated January 25, 2005, wherein we noted that we did not audit the financial statements of Hamilton Local Digital Academy, a discretely presented component unit, and wherein we qualified our opinion due to the omission of the financial data of the Hamilton Boosters Club, a discretely presented component unit, from the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 25, 2005.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-003.



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

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

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated January 25, 2005.

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 25, 2005

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

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

**Compliance**

We have audited the compliance of Hamilton Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2004-004 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirement regarding reporting that is applicable to its Special Education Grant. Compliance with such requirement is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

### **Internal Control over Compliance**

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-004.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the reportable condition described above to be a material weakness.

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

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

J. L. UHRIG AND ASSOCIATES, INC.

January 25, 2005

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

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

<b>1. Type of Financial Statement Opinion</b>	Qualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	Yes
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Qualified
<b>8. Are there any reportable findings under § .510?</b>	Yes
<b>9. Major Programs (list):</b>	Special Education and Comprehensive School Reform CFDA #84.027 and #84.332
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	2004-001
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Ohio Revised Code Section 5705.39 states that appropriations are to be limited by the estimated resources of a fund. The District had appropriations that exceeded estimated resources in the Federal Projects Funds. This could lead to the District spending more money than they actually receive.

The District should monitor each fund so that appropriations do not exceed estimated resources.

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

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

<b><i>Finding Number</i></b>	2004-002
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Ohio Revised Code Section 5705.40 states that no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Additionally, Ohio Revised Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The District had expenditures that exceeded the appropriations at the fund level in the General Fund. This situation can lead to the District expending more than is actually available to spend in a fund.

The District must closely monitor each fund to determine that sufficient appropriations exist before any expenditures or encumbrances are made.

<b><i>Finding Number</i></b>	2004-003
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**Component Unit Reporting**

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

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

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

<b><i>Finding Number</i></b>	2004-004
<b><i>CFDA Title and Number</i></b>	Special Education - Grants to States CFDA #84.027
<b><i>Federal Agency</i></b>	United States Department of Education
<b><i>Pass-Through Agency</i></b>	Ohio Department of Education

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2004

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

**Noncompliance/Material Weakness/Questioned Costs - Reporting**

There are two forms that the District files with the State of Ohio regarding this federal grant: 1) Project cash request and 2) Final expenditure report. The information in the expenditure reports must correspond with the District's accounting records and supporting documentation.

We noted during testing that some expenditures reported exceeded what was expended in fund 516 - 2004. These are listed below.

<b>Time Period</b>	<b>Type of Report</b>	<b>Expenditures Reported</b>	<b>Amounts per Expenditure Ledger</b>	<b>Variance</b>
2004 Grant Year	Project Cash Request	\$320,121	\$277,679	(\$42,442)
2004 Grant Year	Final Expenditure Report	355,690	336,228	(19,462)

Without proper support of expenditures reported to the State of Ohio, there is an increased risk of questioned costs. In order to comply with the reporting requirements for federal expenditures, the expenditures should be tracked in a manner that allows one to easily identify them as a federal program expenditure.

We recommend the District begin reporting to the State those expenditures supported by the accounting records.

**HAMILTON LOCAL SCHOOL DISTRICT**

Corrective Action Plan

For the Year Ended June 30, 2004

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<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2004-004	The District will investigate the discrepancies in these reports and file corrected reports, as needed, with the State of Ohio. The District will exercise care in the preparation of future reports.	Immediately	John Kinsel, Treasurer

**HAMILTON LOCAL SCHOOL DISTRICT**

Schedule of Prior Audit Findings  
For the Year Ended June 30, 2004

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<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b><i>Government Auditing Standards:</i></b>		
1. ORC 5705.36 - obtaining an amended certificate to reduce estimated resources to actual revenues.	Not fully corrected	This is reported in the management letter. The Treasurer will monitor this situation more closely.
2. ORC 5705.40 - appropriations may not be reduced to a level below an amount sufficient to cover all expenditures and outstanding obligations.	Not fully corrected	The Treasurer will monitor this situation more closely.
3. ORC 5705.41(B) - money is not to be spent unless it has been appropriated.	Not fully Corrected	The Treasurer will monitor this situation more closely.
4. ORC 5705.39 - appropriations are to be limited to estimated resources.	Not fully Corrected	The Treasurer will monitor this situation more closely.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**HAMILTON LOCAL SCHOOL DISTRICT  
FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**