



HAMILTON LOCAL SCHOOL DISTRICT

SINGLE AUDIT

For the Year Ended June 30, 2001

J. L. UHRIG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

**78 North Plaza Blvd.
Chillicothe, Ohio 45601**



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Hamilton Local School District
4999 Lockbourne Road
Columbus, Ohio 43207

We have reviewed the Independent Auditor's Report of the Hamilton Local School District, Franklin County, prepared by J. L. Uhrig & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

February 7, 2002

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HAMILTON LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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J. L. UHRIG & ASSOCIATES, INC.

Certified Public Accountants

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Independent Auditor's Report

Board of Education
Hamilton Local School District
4999 Lockbourne Road
Columbus, Ohio 43207

We have audited the accompanying general purpose financial statements of the Hamilton Local School District (the District) as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types 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 11, 2002 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

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

J. L. Uhrig & Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Certified Public Accountants

January 11, 2002

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HAMILTON LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>ASSETS AND OTHER DEBITS</u>				
ASSETS:				
Equity with Treasurer in pooled cash and cash equivalents	\$330,162	\$234,722	\$16,929,937	\$16,504,190
Receivables (net of allowances of uncollectibles):				
Real and other taxes	8,738,404	0	1,805,721	648,867
Accounts.	2,419	865	0	0
Interest.	327,061	0	0	0
Interfund Receivable	1,234,942	0	0	0
Due from Other Funds	0	0	0	0
Materials and supplies inventory . . .	0	0	0	0
Restricted Assets:				
Equity in pooled cash and equivalents . .	599,057	0	0	0
Property, plant and equipment (net of accumulated depreciation where applicable)	0	0	0	0
OTHER DEBITS:				
Amount to be provided from general government resources. . . .	0	0	0	0
Total assets and other debits	<u>\$11,232,045</u>	<u>\$235,587</u>	<u>\$18,735,658</u>	<u>\$17,153,057</u>

(Continued)

See accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$468,224	\$453,109	\$0	\$0	\$34,920,344
0	0	0	0	0	11,192,992
25,621	0	0	0	0	28,905
0	0	0	0	0	327,061
0	0	0	0	0	1,234,942
0	0	259,108	0	0	259,108
23,296	0	0	0	0	23,296
0	0	0	0	0	599,057
59,756	0	0	14,058,619	0	14,118,375
0	0	0	0	18,909,974	18,909,974
<u>\$108,673</u>	<u>\$468,224</u>	<u>\$712,217</u>	<u>\$14,058,619</u>	<u>\$18,909,974</u>	<u>\$81,614,054</u>

(Continued)

See accompanying Notes to the General Purpose Financial Statements

HAMILTON LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

(CONTINUED)

JUNE 30, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$179,728	\$25,578	\$0	\$4,609
Accrued wages and benefits.	280,645	14,410	0	0
Compensated absences payable.	35,406	0	0	0
Due to Others	0	0	0	0
Interfund Payable	0	918,352	0	130,084
Deferred revenue	8,089,545	0	1,671,640	600,686
Due to other funds	250,421	90	0	0
Notes Payable	0	0	0	16,606,000
General Obligation Bonds Payable	0	0	0	0
Intergovernmental Payable	1,532	0	0	0
Total liabilities	<u>8,837,277</u>	<u>958,430</u>	<u>1,671,640</u>	<u>17,341,379</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets.	0	0	0	0
Retained Earnings	0	0	0	0
Fund balances:				
Reserved for encumbrances.	983,005	27,941	0	67,283
Reserved for set asides	599,057	0	0	0
Unreserved, undesignated	812,706	(750,784)	17,064,018	(255,605)
Total equity and other credits	<u>2,394,768</u>	<u>(722,843)</u>	<u>17,064,018</u>	<u>(188,322)</u>
Total liabilities, equity and other credits	<u>\$11,232,045</u>	<u>\$235,587</u>	<u>\$18,735,658</u>	<u>\$17,153,057</u>

(Continued)

See accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$328	\$0	\$9,780	\$0	\$0	\$220,023
54,754	0	0	0	0	349,809
21,777	0	0	0	876,149	933,332
0	0	56,994	0	0	56,994
183,883	0	2,623	0	0	1,234,942
0	0	0	0	0	10,361,871
8,597	0	0	0	0	259,108
0	0	0	0	0	16,606,000
0	0	0	0	17,906,000	17,906,000
487	0	611,785	0	127,825	741,629
<u>269,826</u>	<u>0</u>	<u>681,182</u>	<u>0</u>	<u>18,909,974</u>	<u>48,669,708</u>
0	0	0	14,058,619	0	14,058,619
(161,153)	468,224	0	0	0	307,071
0	0	2,620	0	0	1,080,849
0	0	0	0	0	599,057
0	0	28,415	0	0	16,898,750
<u>(161,153)</u>	<u>468,224</u>	<u>31,035</u>	<u>14,058,619</u>	<u>0</u>	<u>32,944,346</u>
<u>\$108,673</u>	<u>\$468,224</u>	<u>\$712,217</u>	<u>\$14,058,619</u>	<u>\$18,909,974</u>	<u>\$81,614,054</u>

HAMILTON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/EQUITY
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE

FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$6,565,732	\$0	\$694,899	\$219,655	\$0	\$7,480,286
Tuition	33,868	0	0	0	0	33,868
Earnings on Investments	478,898	0	0	262,173	0	741,071
Extracurricular activities	0	166,128	0	0	0	166,128
Miscellaneous	81,697	36,049	0	0	65,632	183,378
State Unrestricted Grants-in-Aid	9,125,196	28,588	53,888	0	0	9,207,672
State Restricted Grants-in-Aid	42,076	89,762	0	138,085	0	269,923
Federal Unrestricted Grants-in-Aid	0	6,812	0	0	0	6,812
Federal Rerestricted Grants-in-Aid	0	355,283	0	0	0	355,283
Total revenue	<u>16,327,467</u>	<u>682,622</u>	<u>748,787</u>	<u>619,913</u>	<u>65,632</u>	<u>18,444,421</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,479,145	83,888	0	167,194	0	6,730,227
Special	1,066,015	361,716	0	0	0	1,427,731
Vocational	420,254	0	0	0	0	420,254
Adult/Continuing	3,085	0	0	0	0	3,085
Other	414,225	0	0	0	0	414,225
Support services:						
Pupils	574,277	5,710	0	0	0	579,987
Instructional staff	490,056	19,899	0	0	0	509,955
Board of Education	162,476	0	0	0	0	162,476
Administration	1,416,776	176,674	0	0	59,349	1,652,799
Fiscal Services	1,503,016	7,034	13,042	0	0	1,523,092
Business	81	0	0	0	0	81
Operation and maintenance of plant	1,403,175	0	0	463,114	0	1,866,289
Pupil transportation	829,093	0	0	0	0	829,093
Central	28,556	0	0	0	0	28,556
Community Services	0	2,500	0	0	0	2,500
Extracurricular activities:						
Academic & Subject Oriented	112,340	7,728	0	0	0	120,068
Occupation & Co-curriculum Oriented	7,357	28,708	0	0	0	36,065
Sports Oriented	271,103	189,090	0	0	0	460,193
Debt service:						
Principal retirement and interest	0	0	293,725	0	0	293,725
Total expenditures	<u>15,181,030</u>	<u>882,947</u>	<u>306,767</u>	<u>630,308</u>	<u>59,349</u>	<u>17,060,401</u>
Excess (deficiency) of revenues over (under) expenditures	1,146,437	(200,325)	442,020	(10,395)	6,283	1,384,020

(Continued)

See accompanying Notes to the General Purpose Financial Statements

HAMILTON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/EQUITY
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Other financing sources (uses):						
Proceeds from bonds	0	0	16,606,000	0	0	16,606,000
Operating transfers in	0	83,710	0	0	0	83,710
Operating transfers out	(201,987)	0	0	0	0	(201,987)
Total other financing sources (uses)	<u>(201,987)</u>	<u>83,710</u>	<u>16,606,000</u>	<u>0</u>	<u>0</u>	<u>16,487,723</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	944,450	(116,615)	17,048,020	(10,395)	6,283	17,871,743
Fund balance/equity, beginning of year	1,450,318	(606,228)	15,998	(177,927)	24,752	706,913
Change in reserve for inventory	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance/equity, end of year	<u>\$2,394,768</u>	<u>(\$722,843)</u>	<u>\$17,064,018</u>	<u>(\$188,322)</u>	<u>\$31,035</u>	<u>\$18,578,656</u>

See accompanying Notes to the General Purpose Financial Statements

Hamilton Local School District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types and Similar Fiduciary Fund Types
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$6,503,119	\$6,677,488	\$174,369	\$0	\$0	\$0
Tuition	14,500	33,928	19,428	0	0	0
Earnings on Investments	225,000	222,665	(2,335)	0	0	0
Extracurricular Activities	0	0	0	118,500	166,128	47,628
Miscellaneous	81,000	90,006	9,006	67,000	44,408	(22,592)
State Unrestricted Grants-in-Aid	9,018,209	9,125,196	106,987	22,857	28,588	5,731
State Restricted Grants-in-Aid	0	42,776	42,776	71,876	89,762	17,886
Federal Unrestricted Grants-in-Aid	0	0	0	6,812	6,812	0
Federal Restricted Grants-in-Aid	0	0	0	626,728	355,283	(271,445)
Total Revenue	15,841,828	16,192,059	350,231	913,773	690,981	(222,792)
Expenditures:						
Regular Instruction	7,320,778	7,211,089	109,689	119,898	74,312	45,586
Special Instruction	1,184,329	1,239,616	(55,287)	523,218	404,040	119,178
Vocational Instruction	390,245	501,862	(111,617)	0	0	0
Adult/Continuing Instruction	0	4,271	(4,271)	0	0	0
Other Instruction	380,000	538,222	(158,222)	0	0	0
Support Services:						
Pupils	799,745	700,131	99,614	10,617	8,100	2,517
Instructional Staff	609,165	531,757	77,408	30,849	24,034	6,815
Board of Education	564,884	292,330	272,554	0	0	0
Administration	1,486,925	1,551,200	(64,275)	266,409	204,846	61,563
Fiscal Services	1,221,221	1,636,411	(415,190)	9,029	7,034	1,995
Business	24	124	(100)	0	0	0
Operation & Maintenance - Plant	2,244,344	1,633,778	610,566	0	0	0
Pupil Transportation	946,727	924,902	21,825	0	0	0
Central	85,100	29,037	56,063	0	0	0
Community Service	0	0	0	29,254	16,500	12,754
Extracurricular Activities:						
Academic & Subject Oriented	79,400	118,008	(38,608)	6,073	7,818	(1,745)
Occupation & Co-curriculum Activities	11,600	12,564	(964)	39,840	30,651	9,189
Sports Oriented	274,100	284,604	(10,504)	108,540	217,262	(108,722)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement and Interest	0	0	0	0	0	0
Total Expenditures	17,598,587	17,209,906	388,681	1,143,727	994,597	149,130
Excess of Revenue Over (Under) Expenditures	(1,756,759)	(1,017,847)	738,912	(229,954)	(303,616)	(73,662)
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	83,710	83,710
Advances In	0	0	0	0	360,187	360,187
Other Financing Sources (Uses)	0	961	961	0	0	0
Proceeds from Notes	0	0	0	0	0	0
Proceeds from Bonds	0	0	0	0	0	0
Transfers Out	0	(201,987)	(201,987)	0	0	0
Advances Out	(19,263)	(360,483)	(341,220)	0	0	0
Total Other Sources (Uses)	(19,263)	(561,509)	(542,246)	0	443,897	443,897
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,776,022)	(1,579,356)	196,666	(229,954)	140,281	370,235
Beginning Fund Balance	799,406	799,406	0	4,876	4,876	0
Prior Year Carry Over Encumbrances	726,167	726,167	0	39,097	39,097	0
Ending Fund Balance	(\$250,449)	(\$53,783)	\$196,666	(\$185,981)	\$184,254	\$370,235

See accompanying Notes to the General Purpose Financial Statements.

Hamilton Local School District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types and Similar Fiduciary Fund Types
 For the Year Ended June 30, 2001

	Debt Service			Capital Projects		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$542,201	\$576,816	\$34,615	\$179,048	\$171,474	(\$7,574)
Tuition	0	0	0	0	0	0
Earnings on Investments	0	0	0	225,000	262,173	37,173
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	75,639	53,888	(21,751)	0	0	0
State Restricted Grants-in-Aid	0	0	0	207,373	144,150	(63,223)
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	617,840	630,704	12,864	611,421	577,797	(33,624)
Expenditures:						
Regular Instruction	0	0	0	28,422	166,829	(138,407)
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal Services	0	13,042	(13,042)	0	0	0
Business	0	0	0	0	0	0
Operation & Maintenance - Plant	0	0	0	20,265	530,397	(510,132)
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Community Service	0	0	0	0	0	0
Extracurricular Activities:						
Academic & Subject Oriented	0	0	0	0	0	0
Occupation & Co-curriculum Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Capital Outlay	0	0	0	16,606,000	0	16,606,000
Debt Service:						
Principal Retirement and Interest	16,906,604	293,725	16,612,879	0	0	0
Total Expenditures	16,906,604	306,767	16,599,837	16,654,687	697,226	15,957,461
Excess of Revenue Over (Under) Expenditures	(16,288,764)	323,937	16,612,701	(16,043,266)	(119,429)	15,923,837
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Other Financing Sources (Uses)	0	0	0	0	0	0
Proceeds from Notes	0	0	0	16,606,000	16,606,000	0
Proceeds from Bonds	16,606,000	16,606,000	0	0	0	0
Transfers Out	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Sources (Uses)	16,606,000	16,606,000	0	16,606,000	16,606,000	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	317,236	16,929,937	16,612,701	562,734	16,486,571	15,923,837
Beginning Fund Balance	0	0	0	(105,250)	(105,250)	0
Prior Year Carry Over Encumbrances	0	0	0	51,341	51,341	0
Ending Fund Balance	\$317,236	\$16,929,937	\$16,612,701	\$508,825	\$16,432,662	\$15,923,837

(Continued)

Hamilton Local School District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types and Similar Fiduciary Fund Types
 For the Year Ended June 30, 2001

	Expendable Trust			Totals		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$7,224,368	\$7,425,778	\$201,410
Tuition	0	0	0	14,500	33,928	19,428
Earnings on Investments	0	0	0	450,000	484,838	34,838
Extracurricular Activities	0	0	0	118,500	166,128	47,628
Miscellaneous	61,361	65,632	4,271	209,361	200,046	(9,315)
State Unrestricted Grants-in-Aid	0	0	0	9,116,705	9,207,672	90,967
State Restricted Grants-in-Aid	0	0	0	279,249	276,688	(2,561)
Federal Unrestricted Grants-in-Aid	0	0	0	6,812	6,812	0
Federal Restricted Grants-in-Aid	0	0	0	626,728	355,283	(271,445)
Total Revenue	61,361	65,632	4,271	18,046,223	18,157,173	110,950
Expenditures:						
Regular Instruction	0	0	0	7,469,098	7,452,230	16,868
Special Instruction	0	0	0	1,707,547	1,643,656	63,891
Vocational Instruction	0	0	0	390,245	501,862	(111,617)
Adult/Continuing Instruction	0	0	0	0	4,271	(4,271)
Other Instruction	0	0	0	380,000	538,222	(158,222)
Support Services:						
Pupils	0	0	0	810,362	708,231	102,131
Instructional Staff	0	0	0	640,014	555,791	84,223
Board of Education	0	0	0	564,884	292,330	272,554
Administration	70,000	62,947	7,053	1,823,334	1,818,993	4,341
Fiscal Services	0	0	0	1,230,250	1,656,487	(426,237)
Business	0	0	0	24	124	(100)
Operation & Maintenance - Plant	0	0	0	2,264,609	2,164,175	100,434
Pupil Transportation	0	0	0	946,727	924,902	21,825
Central	0	0	0	85,100	29,037	56,063
Community Service	0	0	0	29,254	16,500	12,754
Extracurricular Activities:						
Academic & Subject Oriented	0	0	0	85,473	125,826	(40,353)
Occupation & Co-curriculum Activities	0	0	0	51,440	43,215	8,225
Sports Oriented	0	0	0	382,640	501,866	(119,226)
Capital Outlay	0	0	0	16,606,000	0	16,606,000
Debt Service:						
Principal Retirement and Interest	0	0	0	16,906,604	293,725	16,612,879
Total Expenditures	70,000	62,947	7,053	52,373,605	19,271,443	33,102,162
Excess of Revenue Over (Under) Expenditures	(8,639)	2,685	11,324	(34,327,382)	(1,114,270)	33,213,112
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	83,710	83,710
Advances In	0	0	0	0	360,187	360,187
Other Financing Sources (Uses)	0	0	0	0	961	961
Proceeds from Notes	0	0	0	16,606,000	16,606,000	0
Proceeds from Bonds	0	0	0	16,606,000	16,606,000	0
Transfers Out	0	0	0	0	(201,987)	(201,987)
Advances Out	0	0	0	(19,263)	(360,483)	(341,220)
Total Other Sources (Uses)	0	0	0	33,192,737	33,094,388	(98,349)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,639)	2,685	11,324	(1,134,645)	31,980,118	33,114,763
Beginning Fund Balance	24,232	24,232	0	723,264	723,264	0
Prior Year Carry Over Encumbrances	1,500	1,500	0	818,105	818,105	0
Ending Fund Balance	\$17,093	\$28,417	\$11,324	\$406,724	\$33,521,487	\$33,114,763

HAMILTON LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service	
Operating revenues:			
Food Service	\$452,789	\$0	\$452,789
Charges for Services.	0	23,592	23,592
Materials and Fees	1,147	0	1,147
Total operating revenues.	<u>453,936</u>	<u>23,592</u>	<u>477,528</u>
Operating expenses:			
Salaries	327,658	0	327,658
Fringe benefits	128,837	0	128,837
Purchased services.	4,384	47,271	51,655
Materials and supplies.	278,374	0	278,374
Depreciation	2,048	0	2,048
Other operating expenses	4,050	0	4,050
Total operating expenses	<u>745,351</u>	<u>47,271</u>	<u>792,622</u>
Operating (loss)	(291,415)	(23,679)	(315,094)
Nonoperating revenues (expenses):			
Federal & State Grants-in-Aid.	216,683	0	216,683
Total nonoperating revenues (expenses) . . .	<u>216,683</u>	<u>0</u>	<u>216,683</u>
Income (loss) before operating transfers	(74,732)	(23,679)	(98,411)
Operating transfer in	118,277	0	118,277
Net income (loss).	43,545	(23,679)	19,866
Retained earnings at beginning of year.	<u>(204,698)</u>	<u>491,903</u>	<u>287,205</u>
Retained earnings at end of year.	<u>(\$161,153)</u>	<u>\$468,224</u>	<u>\$307,071</u>

See accompanying Notes to the General Purpose Financial Statements

HAMILTON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service	
Cash Flows from Operating Activities:			
Operating Loss	\$ (291,415)	\$ (23,679)	\$ (315,094)
Adjustment to Reconcile Operating Loss To Net Cash Used in Operating Activities:			
Depreciation	2,048	0	2,048
Net (Increase) Decrease in Assets:			
Accounts Receivable	(25,603)	0	(25,603)
Inventory	1,838	0	1,838
Net Increase (Decrease) in Liabilities:			
Accounts Payable	(47)	(4,576)	(4,623)
Due to Other Funds	792	0	792
Intergovernmental Payable	101	0	101
Accrued Wages and Benefits	(1,380)	0	(1,380)
Deferred Revenue	(9,851)	0	(9,851)
Compensated Absences	(7,597)	0	(7,597)
Total Adjustments	<u>(39,699)</u>	<u>(4,576)</u>	<u>(44,275)</u>
Net Cash Used in Operating Activities	(331,114)	(28,255)	(359,369)
Cash Flows from Noncapital Activities:			
Operating Grants from Federal & State Sources	216,683	0	216,683
Transfers in	118,277	0	118,277
Net Cash Provided by Noncapital Financing Sources	<u>334,960</u>	<u>0</u>	<u>334,960</u>
Cash Flows from Capital Financing Sources:			
Acquisition of Assets	<u>(3,846)</u>	<u>0</u>	<u>(3,846)</u>
Net Cash Used by Capital Financing Activities	(3,846)	0	(3,846)
Net Increase (Decrease) in Cash and Cash Equivalents.	0	(28,255)	(28,255)
Cash and Cash Equivalents at Beginning of Year . .	<u>0</u>	<u>496,479</u>	<u>496,479</u>
Cash and Cash Equivalents at End of Year.	<u>\$0</u>	<u>\$468,224</u>	<u>\$468,224</u>

See accompanying Notes to the General Purpose Financial Statements

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hamilton Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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, 2000, was 2,793. The District employed 222 certified employees and 96 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 accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government also may be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations'

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

Resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the Board of Education is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of 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 governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year-end.
 - a) Revenue accrued at the end of the year may include grants, fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are not intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. During the month of July, this Certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three-month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the October regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Basis)--All Governmental Fund Types and Similar Fiduciary Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis). Advances in and advances out do not match on the budget basis statements due to a \$296 advance in the Enterprise Funds, the Enterprise Funds do not show budget basis statements.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2001, investments were limited to repurchase agreements, certificates of deposit, treasury notes, federal agency securities and banker's acceptances.

Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, and Capital Projects Funds as authorized by board resolution. Interest revenue credited during the fiscal year amounted to \$741,071.

For purposes of the combined statement of cash flows and for presentation on the combined 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.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means when due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2001 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District does not possess any infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life (five to twenty years) of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 1. Summary of Significant Accounting Policies (continued)

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

Homestead and Rollback Tax Subsidy
State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Project Funds

School Net Grant
Tech Equity

Non-Reimbursable Grants:

Special Revenue Funds

Title I	E Rate Subsidy
DPPF	Title VI
Data Communications	Title VI-B
Professional Development	Title VI-R
Tech Prep	Textbook Subsidy
Drug Free Schools Grant	Ohio Reads
Eisenhower Grant	Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement	Vocational Education Reimbursement
Tutor Reimbursement	

Proprietary Funds

National School Lunch Program
School Breakfast and Child Care Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "Interfund receivables/payables." At June 30, 2001, the District had \$1,234,942 in "Interfund Receivables/Payables" and \$259,108 in "Due to/from Other Funds."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available finance resources and therefore are not available for appropriation. At June 30, 2001 the District had no long term interfund loans.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments.

To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees projected to be eligible were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and they are not contingent on a specific event that is outside the control of the employer and employee; and 2) 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.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 1. Summary of Significant Accounting Policies (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook acquisition and budget stabilization reserve. A fund balance reserve has also been established.

Q. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for encumbrances, and set asides. The reserve for set asides represents the amount that has been set aside for the acquisition of textbooks and instructional material and budget stabilization. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. Memorandum Only -Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

S. 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.

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Type Funds				
	Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 944,450	(116,615)	17,048,020	(10,395)	\$ 6,283
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	(135,408)	8,359	(118,083)	(42,116)	0
Due to Expenditures:					
Net Adjustments to Expenditures	(2,028,876)	(111,650)	0	(66,918)	(3,598)
Due to Other Sources/Uses	(359,522)	360,187	0	16,606,000	0
Budget Basis	<u>\$ (1,579,356)</u>	<u>140,281</u>	<u>16,929,937</u>	<u>16,486,571</u>	<u>\$ 2,685</u>

Note 3. Accountability and Compliance

Pursuant to Section 117.11(A) of the Revised Code, independent auditors performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

Compliance

At June 30, 2001, the following cash basis deficit fund balances existed:

<i>Special Revenue Funds:</i>	
Title VI-B	\$57,241
Title I	49,797
 <i>Capital Projects Funds:</i>	
SchoolNet	50,797
Emergency Repair	37,395

The following funds had estimated resources in excess of actual receipts for the fiscal year ended June 30, 2001:

Fund Type/Fund	Estimated Resources	Actual Receipts	Excess
<i>Special Revenue Funds:</i>			
400 – State Project Funds	\$298,106	\$244,913	(\$53,193)
500 – Federal Project Funds	637,058	362,095	(274,963)

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 3. Accountability and Compliance (continued)

The following fund had an excess of expenditures plus encumbrances over appropriations at the fund level, which is the legal level of budgetary control adopted by the Board of Education.

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$17,598,587	\$17,411,893	(\$186,694)

Note 4. Cash 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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 company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

Notes to the General Purpose Financial Statements
June 30, 2001

Note 4. Cash and Investments (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio); and

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year-end, the carrying amount of the District's deposits was \$641,120, and the bank balance was \$661,961. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance Corporation (FDIC); and

2. \$561,961 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. 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.

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 4. Cash and Investments (continued)

	1	Category 2	3	Reported Amount	Fair Value
Federal Agency Securities	\$ 0	0	23,307,861	\$ 23,307,861	\$23,307,861
STAR Ohio	0	0	0	<u>11,570,420</u>	<u>11,570,420</u>
Total Investments				\$ <u>34,878,281</u>	<u>\$34,878,281</u>

Investments in STAR Ohio are valued at STAR Ohio's quoted share price at year-end. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

	Cash	Investments
GASB Statement No. 9	\$35,519,401	\$0
Investments:		
Federal Agency Securities	(23,307,861)	23,307,861
STAR Ohio	<u>(11,570,420)</u>	<u>11,570,420</u>
Total Cash and Cash Equivalents Total	<u>\$ 641,120</u>	<u>\$34,878,281</u>

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Franklin County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1995, an update was done in 1999. The next revaluation is scheduled for 2001.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Franklin County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 5. Property Tax (continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, in which the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Franklin County Treasurer collects property tax on behalf of the District. The Franklin County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$46.40 per \$1,000 of assessed valuation and \$.69 per \$1,000 of assessed valuation for bonded debt. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$56,672,600
Real Property-Residential/Agricultural	105,803,740
Real Property-Public Utilities	137,320
Personal Property-General	49,161,124
Personal Property-Public Utilities	<u>12,837,110</u>
Total Assessed Value	<u>\$224,611,894</u>

Note 6. Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. 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.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 7. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$	234,342
Less: Accumulated Depreciation		(174,586)
Net Fixed Assets	\$	<u>59,756</u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets			General Fixed Assets
	June 30, 2000	Additions	Deletions	June 30, 2001
Land and Buildings	\$ 6,348,774	0	0	\$ 6,348,774
Improvements	478,736	96,466	0	309,618
Furniture and Equipment	5,732,932	417,861	265,584	6,150,793
Vehicles	1,093,980	155,454	0	1,249,434
Total General Fixed Assets	<u>\$13,654,422</u>	<u>669,781</u>	<u>265,584</u>	<u>\$14,058,619</u>

The District does not have any construction in progress.

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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 amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$324,912, \$288,852 and \$250,488, respectively; 53.1 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$172,690 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 8. Defined Benefit Pension Plans (continued)

B. 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 administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,209,600, \$1,176,408 and \$1,052,628, respectively; 83.3 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$201,600 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$388,800 for fiscal year 2001. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 9. Postemployment Benefits (continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$227,438 during the 2001 fiscal year.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available) were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Note 10. 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 255 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.

Note 11. 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.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 11. Risk Management (continued)

The District maintains replacement cost insurance on buildings and contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage's in any of the past three fiscal years.

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.

Note 12. Notes and Long-Term Debt

During fiscal year 2001, the District issued bond anticipation notes in the amount of \$16,606,000 for the purpose of constructing, improving, and equipping school. These notes mature on July 12, 2001, and are to be paid with proceeds from the March 2001 bond issuance. These notes will be retired from the Construction Capital Projects Fund.

A summary of changes in long-term obligations for the year ended June 30, 2001, is as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Intergovernmental Payable	\$ 104,414	127,825	104,414	\$ 127,825
GO Bonds Payable	1,510,000	16,606,000	210,000	17,906,000
Compensated Absences Payable	782,634	876,149	782,634	876,149
Totals	\$ 2,397,048	17,609,974	1,097,048	\$18,909,974

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 12. Notes and Long-Term Debt (continued)

The \$17,906,000 of 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. These bonds mature December 2000 through December 2028, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Retired</u>	<u>Acquired</u>	<u>Balance</u> <u>June 30, 2001</u>
School Improvement Bond – 1990 6.92%	\$ 600,000	100,000		\$ 500,000
School Improvement Bond – 1996 5.50%	910,000	110,000		800,000
Construction Bond - 2001 5.16%	0	0	16,606,000	16,606,000
Totals	\$1,510,000	210,000	16,606,000	\$17,906,000

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2002	\$ 390,000	918,499	\$ 1,308,499
FY 2003	620,000	803,102	1,423,102
FY 2004	635,000	775,936	1,410,936
FY 2005	655,000	747,352	1,402,352
FY 2006 and thereafter	15,606,000	12,046,783	27,652,783
Totals	\$17,906,000	15,291,672	\$33,197,672

Note 13. Interfund Transactions

At June 30, 2001, the District had short-term interfund loans which are classified as “interfund receivables/payables.” An analysis of interfund balances is as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,234,942	\$ 0
Special Revenue Funds	0	918,352
Capital Projects Funds	0	130,084
Enterprise Funds	0	183,883
Agency Funds	0	2,623
Totals	\$ 1,234,942	\$1,234,942

Note 14. Jointly Governed Organizations

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.

**Notes to the General Purpose Financial Statements
June 30, 2001**

Note 15. Segment Information for Enterprise Funds

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001 follows:

	Lunchroom <u>Fund</u>	Uniform Supply <u>Fund</u>	<u>Total</u>
Operating Revenues	\$ 452,757	\$ 1,179	453,936
Operating Expenses:			
Depreciation	(2,048)		(2,048)
Other Expenses	(741,828)	(1,475)	(743,303)
Total Operating Expenses	(743,876)	(1,475)	(745,351)
Operating Loss	(291,119)	(296)	(291,415)
Non Operating Revenues:			
Grants	216,683	0	216,683
Transfers-in	118,277	0	118,277
Net Loss	43,841	(296)	43,545
Net Working Capital	(192,942)	(27,967)	(220,909)
Total Assets	108,673	0	108,673
Retained Earnings	(133,186)	(27,967)	(161,153)

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, 2001.

B. Litigation

Terrence Bacus v. Hamilton Local School District Board of Education
Franklin County Court of Common Pleas

This matter involves an action brought by Plaintiff, Terrence Bacus, against his former employer, the Hamilton Local School District Board of Education ("Board") and the individual members of the Board. The action claims breach of contract, fraud in the inducement and defamation and seeks compensatory damages in the amount of \$100,000 against the Board and \$250,000 against the individual defendants and punitive damages in the amount of \$250,000 against the individual defendants.

Currently, Defendants are awaiting responses to the interrogatories, request for production and request for admissions served upon Plaintiff. Discovery is expected to continue with depositions and may result in the filing of dispositive motions. Trial has been rescheduled to begin in April 2002.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 17. Subsequent Event

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and re-determine any issue upon such consideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

Note 18. Statutory Reserves

The District is required by State statute to annually set aside in cash 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. Previously, the District was also required to set aside money for budget stabilization, however, State statute now permits any remaining balance to be used with certain restrictions, at the discretion of the Board of Education.

Notes to the General Purpose Financial Statements
June 30, 2001

Note 18. Statutory Reserves (continued)

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.

	<u>Textbook Acquisition</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 469,593	\$ 469,593
Current Year Set-Aside Requirement	500,785	500,785	0	1,001,570
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(371,321)</u>	<u>(1,549,110)</u>	<u>0</u>	<u>(1,920,431)</u>
Total	<u>\$ 129,464</u>	<u>\$ (1,048,325)</u>	<u>\$ 469,593</u>	<u>\$ (449,268)</u>
Cash Balance Carried Forward to FY 2002	<u>129,464</u>	<u>0</u>	<u>469,593</u>	
Amount Restricted for Budget Stabilization		\$	<u>469,593</u>	
Total Restricted Assets		\$	<u>599,057</u>	

Current year offsets and qualifying disbursements in excess of current year or accumulated set aside requirements for textbooks may be used to reduce set aside requirements of future years. Actual cash balances in excess of set aside requirements for both textbooks and capital improvements may be used to offset set aside requirements of future years.

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2001

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$24,150	\$24,150
National School Lunch Program	04-PU	10.555	169,993	169,993
Child Care Breakfast Program	05-PU	10.558	11,094	11,094
Total U.S. Department of Agriculture			<u>205,237</u>	<u>205,237</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1	84.010	52,324	342,031
Special Education - Grants to States (IDEA Part B)	6B-SF	84.027	234,504	215,608
Chapter II Improvement and Consolidation Act	C2-S1	84.151	2,427	0
Safe and Drug-Free Schools and Communities	DR-S1	84.186	3,390	3,820
Goals 2000 - Education Improvement Grant	G2-S1	84.276	35,000	2,127
Eisenhower Professional Development Grant	MS-S1	84.281	10,330	7,365
Class Size Reduction	CR-S1	84.340	17,308	53,493
Total U.S. Department of Education			<u>355,283</u>	<u>624,444</u>
Total Federal Financial Assistance			<u><u>\$560,520</u></u>	<u><u>\$829,681</u></u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2001, the District received \$40,349 and used \$48,603 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, 2001 the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose 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
4999 Lockbourne Road
Columbus, Ohio 43207

We have audited the financial statements of the Hamilton Local School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated January 11, 2002. 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 as items 2001-001 through 2001-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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 & Associates, I nc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

January 11, 2002

**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
4999 Lockbourne 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 program for the year ended June 30, 2001. 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 program 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.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

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.

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 noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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 & Associates, I nc.

J. L. UHRIG & ASSOCIATES, INC.
Certified Public Accountants

January 11, 2002

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2001

A. SUMMARY OF AUDITOR'S RESULTS

<i>1. Type of Financial Statement Opinion</i>	Unqualified
<i>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	Yes
<i>5. Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>6. Were there any other reportable internal control weaknesses reported for major federal programs?</i>	No
<i>7. Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>8. Are there any reportable findings under § .510?</i>	No
<i>9. Major Programs (list):</i>	Special Education - Grants to States CFDA # 84.027 Eisenhower Professional Development Grant CFDA #84.281
<i>10. Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
<i>11. Low Risk Auditee?</i>	Yes

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

<i>Finding Number</i>	2000-001
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Ohio Revised Code Section 5705.36 states that reserve balance accounts for a fund, established pursuant to Ohio Revised Code Section 5705.13, are required to be excluded from the amount of unencumbered balances in the certification of estimated resources for that fund. The District did not exclude the reserve balance accounts from the unencumbered balances of estimated resources of several funds. Ohio Revised Code Section 5705.36 also allows

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2001

<i>Finding Number</i>	2000-001 (Continued)
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an increase or reduction to be made in the estimated resources upon determination that revenue collected will be greater or less than the amount in the certificate of estimated resources.

The District had several funds with estimated resources that were greater than the actual amounts received during the year. Since the District did not advance funds to cover the deficiencies in fund, the District appropriated and expended more than the actual amounts available to spend in these funds.

The District must closely monitor the receipts of each fund and when it is determined that receipts will fall short of estimates, an amended certificate should be filed to reduce the estimated resources and appropriations, or an advance should be made to prevent a fund from being overspent.

<i>Finding Number</i>	2000-002
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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 one 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.

<i>Finding Number</i>	2000-003
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Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established.

The existence of a deficit fund balance in any fund indicates that money from another fund(s) has been used to pay obligations of the fund(s) carrying the deficit balances. As of June 30, 2001, the District had several funds with negative cash fund balances.

The District must closely monitor the activity of each fund and not allow any fund to be overspent. If necessary, transfers or advances should be made from the General Fund to cover any deficiency.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Prior Audit Findings

For the Year Ended June 30, 2001

Description	Status	Comments
Government Auditing Standards:		
1. ORC 5705.36 - reserve balance accounts are to be excluded from amount of unencumbered balances.	Not fully corrected	The Treasurer will monitor this situation more closely.
2. ORC 5705.36 - obtaining an amended certificate to reduce estimated resources to actual revenues.	Not fully corrected	The Treasurer will monitor this situation more closely.
3. 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.
4. ORC 5705.41(D) - blanket certificates exceeding time limit and/or dollar limitations.	Corrected	N/A
5. ORC 5705.391(B) - school district's must prepare 5-year projections of revenue and expenditures and update for certain events.	Corrected	N/A
6. ORC 135.142 - school district's may invest up to 25% of interim monies in commercial paper, banker's acceptances, etc.	Corrected	N/A
7. ORC 117.38 - public office must publish notice of availability of financial report in local newspaper.	Corrected	N/A
8. ORC 9.38 - public money must be deposited on the next business day, unless proper policy has been approved by the the District Board.	Corrected	N/A
9. 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.
10. ORC 5705.10 - money paid into a fund shall be used for the purposes for which said fund was established (i.e. - negative fund cash balances).	Not fully corrected	The Treasurer will monitor this situation more closely.
OMB Circular A-133:		
11. District was unable to locate certain Title I reports during prior audit which suggested a breakdown in internal control over recordkeeping.	Corrected	N/A



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OFFICE OF THE AUDITOR

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HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2002**