

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2013

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Hamilton Local School District, Franklin County, prepared by J. L. Uhrig and Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 14, 2014

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HAMILTON LOCAL SCHOOL DISTRICT

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (District), Franklin County as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 18, during fiscal year 2013 the District adopted Governmental Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The schedule of expenditures of federal awards is required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The schedule of expenditures of federal awards is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 16, 2013

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

As management of the Hamilton Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59.2 million (net position). Of this amount, \$9.1 million (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$2.1 million during the fiscal year.
- As of the close of the fiscal year, the District's general fund fund balance totaled \$9.5 million, a \$469,946, or 5.2% increase in comparison with the prior year. Of this total amount, \$9.3 million is available for spending at the District's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Funds

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

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

The District maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, and debt service fund, each of which are considered major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Funds

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

Fiduciary Funds

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

The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 23 of this report.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59.2 million at the close of the most recent fiscal year.

	District Net Position	
	Governmental Activities	
	2013	Restated 2012
	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 22,168,569	\$ 22,871,802
Capital Assets	<u>68,000,769</u>	<u>69,638,274</u>
Total Assets	<u>90,169,338</u>	<u>92,510,076</u>
Deferred Outflows of Resources	<u>1,145,575</u>	<u>139,269</u>
Current Liabilities	2,229,225	2,333,975
Long-Term Liabilities	<u>25,916,672</u>	<u>25,398,624</u>
Total Liabilities	<u>28,145,897</u>	<u>27,732,599</u>
Deferred Inflows of Resources	<u>3,976,596</u>	<u>3,647,387</u>
Net Position:		
Net Investment in Capital Assets	45,581,436	46,524,849
Restricted	4,488,037	4,659,993
Unrestricted	<u>9,122,947</u>	<u>10,084,517</u>
Total Net Position	<u>\$ 59,192,420</u>	<u>\$ 61,269,359</u>

Total Assets decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a \$1.6 million decrease in capital assets, which represents the amount in which current year depreciation and disposals exceeded capital outlays.

A significant portion of the District's net position (\$45.6 million) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$4.5million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9.1 million) may be used to meet the District's ongoing obligations to citizens and creditors.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Key elements of the District's net position decrease are as follows:

Changes in Net Position Governmental Activities		
	2013	Restated 2012
Revenues:		
Program Revenues		
Charges for Services	\$ 858,965	\$ 789,622
Operating Grants	3,310,805	4,367,748
Total Program Revenues	4,169,770	5,157,370
General Revenues		
Property Taxes	6,114,554	6,485,493
Payment in Lieu of Taxes	151,773	2,591,715
Grants and Entitlements	18,019,696	18,230,864
Investment Earnings	11,024	16,544
Other Revenue	98,463	111,455
Total General Revenue	24,395,510	27,436,071
Total Revenues	28,565,280	32,593,441
Expenses:		
Program Expenses		
Instruction	17,326,996	16,712,130
Support Services	9,306,178	9,345,389
Non-Instructional	1,744,200	1,527,399
Extra Curricular Activities	1,013,683	949,695
Interest and Fiscal Charges	1,251,162	1,405,654
Total Expenses	30,642,219	29,940,267
Changes in Net Position	(2,076,939)	2,653,174
Net Position at Beginning of Year	61,269,359	58,616,185
Net Position at End of Year	\$ 59,192,420	\$ 61,269,359

Operating Grants decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of one-time Education Jobs funding received in fiscal year 2012.

Payments in Lieu of Taxes decreased significantly as a result of a settlement related to the District's Win-Win Agreement with the Columbus City School District in the prior year.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

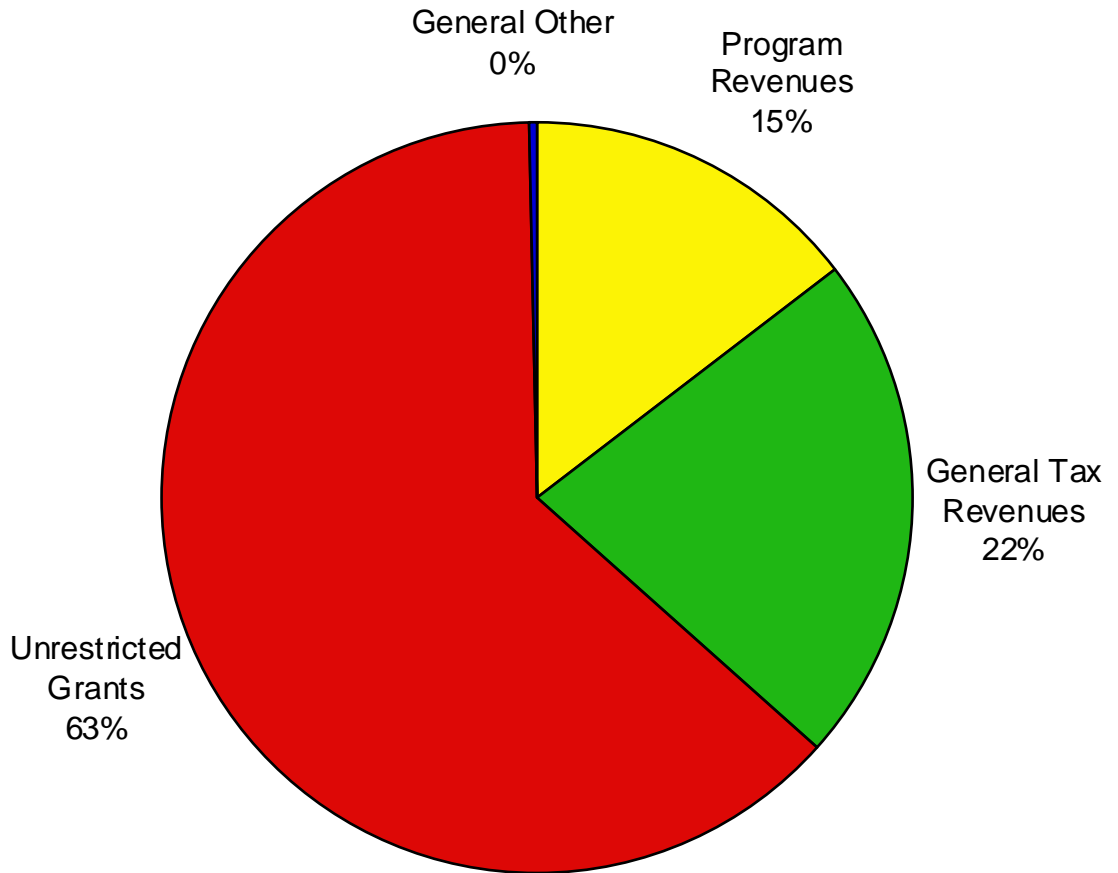
**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses				
Instruction				
Regular	\$ 12,980,868	\$ 12,967,991	\$ 11,444,658	\$ 11,422,284
Special	2,386,009	1,566,268	3,552,876	1,844,141
Vocational	209,755	138,816	203,122	132,772
Other	1,750,364	1,748,405	1,511,474	1,508,077
Support Services				
Pupil	1,184,648	658,383	1,128,952	577,947
Instructional Staff	538,481	342,817	600,855	368,309
Board of Education	13,487	13,487	18,977	11,777
Administration	2,211,173	1,999,824	2,206,763	1,907,446
Fiscal Services	1,424,308	1,401,614	1,394,439	1,378,999
Business Operations	-	-	38,225	38,225
Maintenance	2,928,152	2,816,211	2,916,889	2,792,057
Pupil Transportation	917,658	908,459	956,261	950,268
Central	88,271	88,271	84,028	84,028
Noninstructional Activities	1,744,200	67,632	1,527,399	(164,811)
Extracurricular Activities	1,013,683	503,109	949,695	525,724
Interest and Fiscal Charges	1,251,162	1,251,162	1,405,654	1,405,654
Total Expense	<u>\$ 30,642,219</u>	<u>\$ 26,472,449</u>	<u>\$ 29,940,267</u>	<u>\$ 24,782,897</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)



The District's reliance upon tax revenues and unrestricted grants is demonstrated by the graph above indicating 22 percent of total revenues from tax revenues and 63 percent from unrestricted grants. The reliance on general revenues is indicated by the net cost of services column on the preceding page reflecting the need for \$26.5 million of support, as well as the graph above, indicating general revenues comprise 85.4 percent of total revenues.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$13.9 million, an increase of \$202,390 in comparison with the prior year. Approximately \$9.2 million of this amount is available for new spending at the District's discretion (unassigned fund balance). The remainder of fund balance is not available for new spending because it is unspendable (\$20,372), restricted (\$4.6 million), or assigned (\$166,761).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General Fund	\$ 9,476,787	\$ 9,006,841	\$ 469,946
Debt Service Fund	1,793,331	1,830,643	(37,312)
Other Governmental Funds	<u>2,657,942</u>	<u>2,888,186</u>	<u>(230,244)</u>
Total	<u>\$ 13,928,060</u>	<u>\$ 13,725,670</u>	<u>\$ 202,390</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9.3 million, while total fund balance was \$9.5 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 40.1% of total general fund expenditures and total fund balance represents 40.9% of that same amount.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The fund balance of the District's General Fund increased \$469,946 during the current fiscal year. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

General Fund Comparative Analysis

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Percentage Change</u>
Revenues			
Property Taxes	\$ 4,271,975	\$ 4,820,654	-11.4%
Payment in Lieu of Taxes	1,492,084	708,466	110.6%
Intergovernmental	17,586,273	17,780,771	-1.1%
Interest	10,977	16,359	-32.9%
Tuition and Fees	17,779	34,184	-48.0%
Extracurricular	224,406	172,907	29.8%
Other	166,525	189,261	-12.0%
Total	<u>23,770,019</u>	<u>23,722,602</u>	
Expenditures			
Instruction	14,649,582	12,985,721	12.8%
Support Services	7,955,385	7,782,336	2.2%
Extracurricular Activities	629,054	623,437	0.9%
Total	<u>23,234,021</u>	<u>21,391,494</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>535,998</u>	<u>2,331,108</u>	
Other Financing Sources (Uses)			
Transfers Out	<u>(66,052)</u>	<u>(137,885)</u>	-52.1%
Total	<u>(66,052)</u>	<u>(137,885)</u>	
Net Change in Fund Balance	469,946	2,193,223	
Beginning Fund Balance	<u>9,006,841</u>	<u>6,813,618</u>	
Ending Fund Balance	<u>\$ 9,476,787</u>	<u>\$ 9,006,841</u>	

Payments in Lieu of Taxes increased significantly as a result of a settlement related to the District's Win-Win Agreement with the Columbus City School District.

Instructional expenditures increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in staffing necessary to meet new curriculum requirements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

General Fund Budget Information

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

There was no variance between the District's original and final estimated revenues. Actual revenues exceeded the District's final estimate primarily as a result of Win-Win payments received during the fiscal year.

The District's final appropriations were decreased \$552,000 from original appropriations, and actual expenditures and other financing uses were \$2.4 million less than final appropriations. These variances are the result of the District's worst-case-scenario approach to budgeting expenditures.

Capital Assets

At fiscal year-end, the District's capital assets totaled \$68.0 million (net of accumulated depreciation), a decrease of \$1.6 million in comparison with the prior fiscal year. This decrease represents the amount in which depreciation (\$1.9 million) exceeded additions (\$247,246) during the fiscal year. Detailed information regarding capital asset activity is included in Note 7 to the basic financial statements.

Debt

At fiscal year-end, the District had \$25.0 million in outstanding bonds payable. The District paid \$8.9 million in principal on bonds during the fiscal year due to a 2012 refunding of a previous issuance. Detailed information regarding long-term debt is included in Note 11 to the basic financial statements.

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

Contacting the District's Financial Management

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

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Primary Government Governmental Activities	Component Unit Hamilton Local Digital Academy
Assets		
Cash and Cash Equivalents	\$ 13,996,426	\$ 47,197
Receivables:		
Taxes	7,551,086	-
Accounts	12,931	21,328
Intergovernmental	35,812	-
Payments in Lieu of Tax	542,938	-
Prepaid Items	20,372	-
Inventory Held for Resale	9,004	-
Nondepreciable Capital Assets	806,378	-
Depreciable Capital Assets, Net	67,194,391	4,819
Total Assets	90,169,338	73,344
Deferred Outflows of Resources		
Deferred Amount on Refunding	1,145,575	-
Liabilities		
Accounts Payable	232,125	65,894
Accrued Wages and Benefits	1,547,627	-
Intergovernmental Payable	387,904	-
Accrued Interest Payable	61,569	-
Long-Term Liabilities		
Due within One Year	1,451,839	-
Due in More Than One Year	24,464,833	-
Total Liabilities	28,145,897	65,894
Deferred Inflows of Resources		
Property Taxes	3,976,596	-
Net Position		
Net Investment in Capital Assets	45,581,436	4,819
Restricted for:		
Debt Service	1,655,694	-
Capital Projects	1,709,044	-
Food Services	1,045,547	-
Other Purposes	77,752	-
Unrestricted	9,122,947	2,631
Total Net Position	\$ 59,192,420	\$ 7,450

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	Component
				Governmental Activities	Unit Hamilton Local Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 12,980,868	\$ 12,877	\$ -	\$ (12,967,991)	\$ -
Special Instruction	2,386,009	2,714	817,027	(1,566,268)	-
Vocational Instruction	209,755	229	70,710	(138,816)	-
Other Instruction	1,750,364	1,959	-	(1,748,405)	-
Support Services					
Pupils	1,184,648	-	526,265	(658,383)	-
Instructional Staff	538,481	-	195,664	(342,817)	-
Board of Education	13,487	-	-	(13,487)	-
Administration	2,211,173	-	211,349	(1,999,824)	-
Fiscal Services	1,424,308	-	22,694	(1,401,614)	-
Maintenance	2,928,152	-	111,941	(2,816,211)	-
Pupil Transportation	917,658	-	9,199	(908,459)	-
Central	88,271	-	-	(88,271)	-
Non-instructional Services	1,744,200	349,912	1,326,656	(67,632)	-
Extracurricular Activities	1,013,683	491,274	19,300	(503,109)	-
Interest and Fiscal Charges	1,251,162	-	-	(1,251,162)	-
Total Governmental Activities	\$ 30,642,219	\$ 858,965	\$ 3,310,805	\$ (26,472,449)	\$ -
Component Unit					
Hamilton Local Digital Academy	\$ 585,185	\$ -	\$ 22,646	\$ -	\$ (562,539)
Total Component Unit	\$ 585,185	\$ -	\$ 22,646	\$ -	\$ (562,539)
General Revenues					
Property Taxes Levied for:					
General Purposes				\$ 4,366,869	\$ -
Debt Service				1,440,956	-
Capital Projects				306,729	-
Payments in Lieu of Taxes				151,773	-
Grants and Entitlements not Restricted				18,019,696	455,512
Investment Earnings				11,024	-
Miscellaneous				98,463	817
Total General Revenues				24,395,510	456,329
Change in Net Position				(2,076,939)	(106,210)
Net Position Beginning of Year, Restated				61,269,359	113,660
Net Position End of Year				\$ 59,192,420	\$ 7,450

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 9,909,310	\$ 1,273,207	\$ 2,813,909	\$ 13,996,426
Receivables:				
Property Taxes	5,389,789	1,783,375	377,922	7,551,086
Accounts	12,931	-	-	12,931
Intergovernmental	-	-	35,812	35,812
Payment in Lieu of Tax	542,938	-	-	542,938
Prepaid Items	20,372	-	-	20,372
Inventory Held for Resale	-	-	9,004	9,004
Due From Other Funds	11,553	-	-	11,553
Total Assets	\$ 15,886,893	\$ 3,056,582	\$ 3,236,647	\$ 22,180,122
Liabilities:				
Accounts Payable	\$ 185,804	\$ -	46,321	\$ 232,125
Accrued Wages and Benefits	1,376,100	-	171,527	1,547,627
Intergovernmental Payable	342,113	-	45,791	387,904
Due to Other Funds	-	-	11,553	11,553
Compensated Absences Payable	133,487	-	-	133,487
Total Liabilities	2,037,504	-	275,192	2,312,696
Deferred Inflows of Resources:				
Unavailable Revenue	1,535,940	322,505	104,325	1,962,770
Property Taxes	2,836,662	940,746	199,188	3,976,596
Total Deferred Inflows of Resources	4,372,602	1,263,251	303,513	5,939,366
Fund Balances:				
Unspendable:				
Prepaid Items	20,372	-	-	20,372
Restricted for:				
Capital Projects	-	-	1,640,531	1,640,531
Debt Service	-	1,793,331	-	1,793,331
Food Services	-	-	1,045,547	1,045,547
Other Purposes	-	-	77,752	77,752
Assigned:				
Public School Support	133,371	-	-	133,371
Encumbrances	33,390	-	-	33,390
Unassigned	9,289,654	-	(105,888)	9,183,766
Total Fund Balances	9,476,787	1,793,331	2,657,942	13,928,060
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,886,893	\$ 3,056,582	\$ 3,236,647	\$ 22,180,122

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balances \$ 13,928,060

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 68,000,769

Some of the District's receivables will be collected after fiscal year-end,
but are not available soon enough to pay for the current period's
expenditures and therefore are unavailable revenue in the funds.

These receivables consist of:

Delinquent Property Taxes Receivable	1,373,665
Intergovernmental Receivables	35,812
Payment in Lieu of Taxes	542,938
Other	10,355

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

Bonds Payable	(22,327,260)
Accumulated Accretion	(1,081,114)
Unamortized Bond Premiums	(1,636,221)
Unamortized Deferred Charge on Refunding	1,145,575
Capital Lease Payable	(147,009)
Accrued Interest Payable	(61,569)
Compensated Absences Payable	(591,581)
	<u>(24,699,179)</u>

Net Position of Governmental Activities \$ 59,192,420

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 4,271,975	\$ 1,423,346	\$ 300,194	\$ 5,995,515
Payments in Lieu of Taxes	1,492,084	-	-	1,492,084
Intergovernmental	17,586,273	364,326	3,292,306	21,242,905
Charges for Services	-	-	349,912	349,912
Interest	10,977	-	47	11,024
Tuition and Fees	17,779	-	-	17,779
Extracurricular Activities	224,406	-	266,868	491,274
Other	166,525	-	51,098	217,623
Total Revenues	23,770,019	1,787,672	4,260,425	29,818,116
Expenditures:				
Regular Instruction	11,113,016	-	389,522	11,502,538
Special Instruction	1,582,659	-	842,185	2,424,844
Vocational Instruction	203,543	-	998	204,541
Other Instruction	1,750,364	-	-	1,750,364
Pupils	637,928	-	541,124	1,179,052
Instructional Staff	339,851	-	204,637	544,488
Board of Education	11,392	-	-	11,392
Administration	2,072,943	-	140,466	2,213,409
Fiscal Services	1,365,872	34,784	27,920	1,428,576
Operation and Maintenance of Plant	2,611,406	-	294,229	2,905,635
Pupil Transportation	869,435	-	179,383	1,048,818
Central	46,558	-	41,896	88,454
Non-instructional Services	-	-	1,640,134	1,640,134
Extracurricular Activities	629,054	-	269,999	899,053
Debt service:				
Principal Retirement	-	925,000	68,303	993,303
Interest and Fiscal Charges	-	865,200	4,431	869,631
Bond Issuance Costs	-	136,216	-	136,216
Total Expenditures	23,234,021	1,961,200	4,645,227	29,840,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	535,998	(173,528)	(384,802)	(22,332)
Other Financing Sources (Uses):				
Inception of Capital Lease	-	-	88,564	88,564
Proceeds from Refunding Bonds	-	8,014,566	-	8,014,566
Premium on Refunding Bonds	-	1,366,500	-	1,366,500
Payment to Refunded Bonds Escrow Agent	-	(9,244,850)	-	(9,244,850)
Transfers In	-	-	66,052	66,052
Transfers Out	(66,052)	-	-	(66,052)
Total Other Financing Sources (Uses)	(66,052)	136,216	154,616	224,780
Net Change in Fund Balances	469,946	(37,312)	(230,186)	202,448
Fund Balance Beginning of Year	9,006,841	1,830,643	2,888,186	13,725,670
Change in Inventory	-	-	(58)	(58)
Fund Balance End of Year	\$ 9,476,787	\$ 1,793,331	\$ 2,657,942	\$ 13,928,060

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds **\$ 202,448**

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

Depreciation Expense	(1,881,414)
Capital Outlay	247,246

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations).	(3,337)
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Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds.

Property Taxes	119,039
Intergovernmental	(41,919)
Payment in Lieu of Taxes	(1,340,311)
Other	10,355

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

Principal Repayments	993,303
Refunding Bond Proceeds	(8,014,566)
Premium on Refunding Bonds	(1,366,500)
Refunded Bonds	9,244,850
Amortization of Deferred Charge on Refunding	(223,544)
Amortization of Bond Premiums	170,306
Accretion of Capital Appreciation Bonds	(209,872)
Inception of Capital Lease	(88,564)

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

Increase in Compensated Absences	87,804
Decrease in Accrued Interest Payable	17,795
Change in Inventory	(58)

Change in Net Position of Governmental Activities **\$ (2,076,939)**

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 4,841,847	\$ 4,617,847	\$ 4,633,065	\$ 15,218
Payments in Lieu of Taxes	84,492	84,492	1,492,084	1,407,592
Intergovernmental	17,804,335	17,804,335	17,586,273	(218,062)
Interest	14,311	14,311	60,154	45,843
Tuition and Fees	34,261	34,261	17,826	(16,435)
Extracurricular Activities	173,327	173,327	224,406	51,079
Other	328,509	552,509	92,736	(459,773)
Total Revenues	23,281,082	23,281,082	24,106,544	825,462
Expenditures:				
Current:				
Instruction:				
Regular	12,334,277	11,581,989	10,940,444	641,545
Special	2,213,507	1,957,143	1,652,366	304,777
Vocational	236,991	205,549	202,868	2,681
Other	1,792,006	1,572,001	1,750,364	(178,363)
Support Services:				
Pupils	682,614	621,035	628,949	(7,914)
Instructional Staff	483,833	432,299	328,109	104,190
Board of Education	21,698	19,309	11,395	7,914
Administration	2,291,131	2,040,817	2,004,862	35,955
Fiscal	1,440,392	3,074,168	1,393,944	1,680,224
Operation and Maintenance of Plant	2,654,930	2,322,507	2,665,406	(342,899)
Pupil Transportation	925,591	820,531	916,058	(95,527)
Central	60,325	48,911	46,915	1,996
Extracurricular Activities	951,405	840,441	627,940	212,501
Total Expenditures	26,088,700	25,536,700	23,169,620	2,367,080
Excess of Revenues Over (Under) Expenditures	(2,807,618)	(2,255,618)	936,924	3,192,542
Other Financing Sources (Uses):				
Transfers Out	(45,000)	(45,000)	(71,747)	(26,747)
Advances In	45,000	45,000	-	(45,000)
Advances Out	-	-	(11,553)	11,553
Total Other Financing Sources (Uses)	-	-	(83,300)	(60,194)
Net Change in Fund Balance	(2,807,618)	(2,255,618)	853,624	3,132,348
Fund Balance at Beginning of Year	8,754,701	8,754,701	8,754,701	-
Prior Year Encumbrances Appropriated	81,700	81,700	81,700	-
Fund Balance at End of Year	\$ 6,028,783	\$ 6,580,783	\$ 9,690,025	\$ 3,132,348

See accompanying notes to the basic financial statements

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2013**

	Agency Funds
Assets	
Cash and Cash Equivalents	\$ 76,218
Total Assets	<u>\$ 76,218</u>
Liabilities	
Due to Students	\$ 76,218
Total Liabilities	<u>\$ 76,218</u>

See accompanying notes to the basic financial statements.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - NATURE OF OPERATIONS AND DESCRIPTION OF THE ENTITY

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

Average daily membership (ADM) as of October 1, 2012, was 3,174. The District employed 194 certified employees and 84 classified employees. The District is supervised by the Franklin County Educational Service Center, a separate entity.

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

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

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

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

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

The District is involved with the Metropolitan Educational Council (MEC), which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 15.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Fund Accounting

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

C. Basis of Accounting

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6), unless advanced or available to be advanced to the District in the previous fiscal year. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, payment in lieu of tax revenue, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Inventory

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

G. Capital Assets and Depreciation

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

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

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

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

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

H. Intergovernmental Revenues

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Activity

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

J. Compensated Absences

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

A liability for sick leave is accrued using the vesting method, which states that an accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 20 or more years of service with the District.

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

K. Accrued Liabilities and Long-Term Obligations

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

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

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

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

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

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

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

M. Encumbrances

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

N. Estimates

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Fund Balance</u>
Pre-School Education	\$ (14,377)
IDEA, Part B	(10,061)
Title I	(60,057)
Improving Teacher Quality	(14,487)
Miscellaneous Federal Grants	(6,906)

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

NOTE 4 - BUDGET TO GAAP RECONCILIATION

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

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

Net Change in Fund Balance	
GAAP Basis	\$ 469,946
Public School Support Change	83
Other Local Grants Change	11,000
Other Local Funds Change	3,977
Revenue Accruals	415,341
Expenditure Accruals	92,110
Interfund Activity	(17,248)
Encumbrances	(121,585)
Budget Basis	<u>\$ 853,624</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Deposits

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

At fiscal year-end, the carrying amount of the District's deposits was \$7,030,976, including \$3,701,283 in certificates of deposit, and the bank balance was \$7,758,588. Of the District's bank balance, \$3,951,283 was covered by federal deposit insurance while the remaining \$3,807,305 was exposed to custodial risk, as discussed below. In addition, the District held \$834 in petty cash at fiscal year-end.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Investment Type	Fair Value	Investment Maturities			
		Less Than 12 Months	12 to 24 Months	24 to 48 Months	48 to 60 Months
Money Market Funds	\$ 149,106	\$ 149,106	-	-	-
US Government Agency Notes:					
Federal Home Loan Bank (FHLB)	1,434,724	875,389	340,005	-	219,330
Federal Home Loan Mortgage (FHLM)	374,894	275,402	-	99,492	-
Federal National Mortgage Association (FNMA)	1,096,389	-	-	1,096,389	-
Federal Farm Credit Bank (FFCB)	2,490,986	-	250,145	2,240,841	-
U.S. Treasury Notes	250,128	250,128	-	-	-
State of Ohio Infrastructure Bonds	893,755	-	-	893,755	-
Commercial Paper	269,965	269,965	-	-	-
STAR Ohio	80,887	80,887	-	-	-
	<u>\$ 7,040,834</u>	<u>\$ 1,900,877</u>	<u>\$ 590,150</u>	<u>\$ 4,330,477</u>	<u>\$ 219,330</u>

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

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. Standard & Poor's has assigned STAR Ohio and U.S. Treasury Notes a AAAM rating. The District's US Government Agency Notes are rated AA+ by Standard & Poor while the Commercial Paper is rated A-1+. Standard and Poor's has assigned the State of Ohio Infrastructure Bonds a AA rating. The District's money market funds were not rated.

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

	Fair Value	% To Total
Money Market Funds	\$ 149,106	2%
US Government Agency Notes	5,396,993	77%
US Treasury Notes	250,128	4%
Bonds	893,755	13%
Commercial Paper	269,965	4%
STAR Ohio	80,887	1%
Total	<u>\$ 7,040,834</u>	<u>100%</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES

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

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

	Calendar Year 2012 Second Half Collections		Calendar Year 2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Agricultural / Residential	\$ 134,026,320	60.35%	\$ 133,861,610	61.32%
Real Property - Commercial / Industrial	77,686,250	34.98%	73,828,390	33.82%
Real Property - Public Utilities	231,890	0.10%	210,450	0.10%
Personal Property - Public Utilities	10,132,260	4.56%	10,407,210	4.77%
Total Assessed Values	<u>\$ 222,076,720</u>	<u>100.00%</u>	<u>\$ 218,307,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$ 56.60		\$ 56.30

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Franklin County Treasurer collects property taxes on behalf of all taxing Districts in the County, including the Hamilton Local School District. The county auditor periodically remits to the District its portion of the taxes collected. Calendar year 2013 second-half property tax payments collected by the County by June 30, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility taxes and outstanding delinquencies that are measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available to the District as an advance at June 30, 2013 was \$2,200,825.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 – CAPITAL ASSETS

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

Asset Class	Beginning Balance	End Additions	Deletions	Transfers	ing Balance
Nondepreciable Capital Assets:					
Land	\$ 806,378	\$ -	\$ -	\$ -	\$ 806,378
Total Nondepreciable Capital Assets	<u>806,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>806,378</u>
Depreciable Capital Assets:					
Buildings	74,284,819	-	-	102,056	74,386,875
Improvements	1,361,282	-	-	45,737	1,407,019
Furniture & Equipment	4,661,430	72,062	(199,206)	(147,793)	4,386,493
Vehicles	1,721,963	175,184	(198,389)	-	1,698,758
Total Depreciable Capital Assets	<u>82,029,494</u>	<u>247,246</u>	<u>(397,595)</u>	<u>-</u>	<u>81,879,145</u>
Less Accumulated Depreciation					
Buildings	8,242,418	1,499,160	-	19,918	9,761,496
Improvements	630,531	53,131	-	8,774	692,436
Furniture & Equipment	2,877,185	275,342	(195,869)	(28,692)	2,927,966
Vehicles	1,447,464	53,781	(198,389)	-	1,302,856
Total Accumulated Depreciation	<u>13,197,598</u>	<u>1,881,414</u>	<u>(394,258)</u>	<u>-</u>	<u>14,684,754</u>
Total Depreciable Capital Assets, Net	<u>68,831,896</u>	<u>(1,634,168)</u>	<u>(3,337)</u>	<u>-</u>	<u>67,194,391</u>
Total Capital Assets, Net	<u>\$ 69,638,274</u>	<u>\$ (1,634,168)</u>	<u>\$ (3,337)</u>	<u>\$ -</u>	<u>\$ 68,000,769</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,557,458
Instruction Special	6,876
Instruction Vocational	4,425
Pupils	901
Instructional Staff	1,995
Board of Education	2,095
Administration	6,716
Fiscal Services	5,321
Operation and Maintenance of Plant	43,539
Pupil Transportation	38,280
Noninstructional Services	97,804
Extracurricular Activities	116,004
	<u>\$ 1,881,414</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$405,307, \$378,300, and \$359,255, respectively. The amount contributed for fiscal year 2013 was 65% and 100% was contributed for fiscal years 2012 and 2011. The District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 11% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2013, 2012 and 2011 were \$1,606,877, \$1,592,391, and \$1,621,032, respectively; 91% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011. The School's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

C. Social Security

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$22,895, \$22,341, and \$23,119, respectively, 65 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2013, 2012, and 2011 were \$40,306, \$61,713, and \$87,033, respectively, 65 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$123,606, \$122,492, and \$124,695, respectively; 91 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 – RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and a rider for volunteers. The District maintains replacement cost insurance on buildings and contents. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation-Public Entity Risk Pool

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

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

C. Health Insurance

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due in One Year
2006 School Improvement Bond	\$ 10,735,000	\$ -	\$ (85,000)	\$ 10,650,000	\$ 90,000
2006 Advance Refunding Bonds:					
Current Interest Bonds	8,665,000	-	(8,305,000)	360,000	305,000
Capital Appreciation Bonds	1,156,095	47,940	-	1,204,035	-
2011 Refunding Bonds:					
Current Interest Bonds	3,495,000	-	(550,000)	2,945,000	600,000
Capital Appreciation Bonds	72,841	7,818	-	80,659	-
2012 Refunding Bonds:					
Current Interest Bonds	-	7,730,000	-	7,730,000	115,000
Capital Appreciation Bonds	-	438,680	-	438,680	-
Bonds Payable	<u>24,123,936</u>	<u>8,224,438</u>	<u>(8,940,000)</u>	<u>23,408,374</u>	<u>1,110,000</u>
2006 School Improvement Bond					
Premium on Bonds	223,817	-	(10,410)	213,407	-
2006 Advance Refunding Bonds					
Premium on Bonds	4,174	-	(253)	3,921	-
2011 Refunding Bonds					
Premium on Bonds	212,036	-	(30,791)	181,245	-
2012 Refunding Bonds					
Premium on Bonds	-	1,366,500	(128,852)	1,237,648	-
Total Bonds Payable	<u>24,563,963</u>	<u>9,590,938</u>	<u>(9,110,306)</u>	<u>25,044,595</u>	<u>1,110,000</u>
Capital Lease	126,748	88,564	(68,303)	147,009	67,115
Compensated Absences	707,913	192,251	(175,096)	725,068	274,724
	<u>\$ 25,398,624</u>	<u>\$ 9,871,753</u>	<u>\$ (9,353,705)</u>	<u>\$ 25,916,672</u>	<u>\$ 1,451,839</u>

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

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

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

2011 Advance Re funding Bonds - On January 25, 2011, the District issued \$3,570,000 in current interest serial bonds with interest rates ranging from 2 to 4 percent, and a \$62,703 capital appreciation bonds with a stated interest rate of 20 percent, for the purpose of advance refunding \$3,635,000 of 2001 current interest serial bonds. The 2011 current interest serial bonds mature December 1, 2019 and the capital appreciation bond matures on December 1, 2018. The 2011 current interest bonds were issued at a premium of \$107,030, the capital appreciation bond was issued at a premium of \$151,194, and bond issuance costs totaled \$88,805.

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on December 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the 2001 current interest serial bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$225,793, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$201,997. At fiscal year-end, the amount of defeased bonds outstanding was \$0.

2012 Advance Refun ding Bond s - During the fiscal year on October 30, 2012, the District issued \$7,730,000 in current interest serial bonds with interest rates ranging from 2 to 3 percent, and \$284,566 in capital appreciation bonds with stated interest rates of 22 percent, for the purpose of advance refunding \$8,015,000 of 2006 current interest serial bonds. The 2012 current interest serial bonds mature December 1, 2033 and the capital appreciation bond matures on December 1, 2022. The 2012 current interest bonds were issued at a premium of \$142,409, the capital appreciation bond was issued at a premium of \$1,224,091, and bond issuance costs totaled \$136,216.

The net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on June 1, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 current interest serial bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,234,408, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new (debt)) of \$971,139. At fiscal year-end, the amount of defeased bonds outstanding was \$8,015,000.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

The annual requirement to amortize all bonds outstanding as of June 30, 2013 is as follows:

		Principal	Interest	Total
Year ending June 30,	2014	\$ 1,110,000	\$ 723,327	\$ 1,833,327
	2015	1,180,000	691,302	1,871,302
	2016	470,000	666,677	1,136,677
	2017	485,000	649,996	1,134,996
	2018	2,404,035	779,067	3,183,102
	2019-2023	4,906,659	2,760,028	7,666,687
	2024-2028	7,772,680	1,496,403	9,269,083
	2029-2033	4,340,000	817,739	5,157,739
	2034	740,000	11,100	751,100
			<u>\$ 23,408,374</u>	<u>\$ 8,595,639</u>

The District's overall legal debt margin available was \$19,647,689 with an unvoted debt margin of \$218,308 at June 30, 2013.

NOTE 12 – COMPENSATED ABSENCES

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

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

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

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 – CAPITAL LEASE OBLIGATIONS

The District has entered into two lease agreements as lessee for financing the acquisition of computers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases did not meet threshold to be capitalized. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 67,115	\$ 5,619	\$ 72,734
2015	39,311	2,585	41,896
2016	40,583	1,313	41,896
Total	<u>\$ 147,009</u>	<u>\$ 9,517</u>	<u>\$ 156,526</u>

NOTE 14 - STATUTORY RESERVES

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

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2012	\$ -
Current fiscal year set-aside requirement	511,349
Current year offsets	(527,884)
Qualifying Disbursements	(37,594)
Total	<u>\$ (54,129)</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ -</u>
Set-aside Balance June 30, 2013	<u>\$ -</u>

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

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

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

NOTE 16 - CONTINGENCIES

A. Grants - The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. The District was not sampled however, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

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

The District was named as a plaintiff in a claim against the Columbus City School District involving the Win-Win Agreement. During the course of negotiations leading up to renewal of the agreement, a number of issues came to light. First, it was revealed that payments from Columbus to certain suburban districts, based on territory transferred to Columbus under the agreement, had never been made. Second, a review of annual billings provided by Columbus demonstrated instances in which the amounts billed to the suburban districts for payments due under the agreement had been calculated incorrectly, resulting in some suburban districts being over-billed for several years. The District was owed \$1,883,249 through tax year 2011. The District received payments during the fiscal year and the remaining balance of \$542,938 has been recorded as Payment in Lieu of Tax receivable.

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 17 – INTERFUND ACTIVITY

A. Interfund Transfers

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

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

<u>Fund</u>	<u>Amount</u>
Classroom Maintenance Fund	\$ 66,052

B. Interfund Advances

On an as-needed basis, the District’s General Fund advances cash to other funds of the District to eliminate cash deficits. During the fiscal year, advances from the District’s General Fund were as follows:

<u>Fund</u>	<u>Amount</u>
Improving Teacher Quality	\$ 4,647
Miscellaneous Federal Grants	6,906
	<u>\$ 11,553</u>

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**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ending June 30, 2013, the District has implemented the following:

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a government financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the District to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement required a prior period adjustment to remove all unamortized bond issuance costs.

NOTE 19 – RESTATEMENT OF PRIOR YEAR BALANCES

Due to the implementation of GASB 65, the Unamortized Bond Issuance Costs should be recognized as an expense in the period incurred. Because such amounts are the product of adjustments from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning net position to restate those amounts to what they would have been. The Net Position adjustment had no effect on fund balances.

The effects of the GASB 65 adjustments are as follows:

Net Position, June 30, 2012	\$ 61,634,924
Deferred Bond Issuance Costs	(365,565)
Restated Net Position, July 1, 2012	<u>\$ 61,269,359</u>

**HAMILTON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 20 – COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

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

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

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

B. Deposits - At June 30, 2013, the carrying amount of Digital Academy's deposits was \$47,197 and the bank balance was \$50,224. All of the bank balance was covered by federal depository insurance and pooled collateral agreements with the banking institution. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

C. Capital Assets

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

<u>Asset Class</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Equipment	\$ 347,413	\$ 2,475	\$ -	\$ 349,888
Total Depreciable Capital Assets	347,413	2,475	-	349,888
Total Accumulated Depreciation	(335,794)	(9,275)	-	(345,069)
Capital Assets, Net	<u>\$ 11,619</u>	<u>\$ (6,800)</u>	<u>\$ -</u>	<u>\$ 4,819</u>

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Fiscal Year Ended June 30, 2013

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05-PU-12	10.553	\$392,317	\$0	\$392,317	\$0
National School Lunch Program	LL-P4-12	10.555	791,497	174,060	791,497	174,060
Total Nutrition Cluster			<u>1,183,814</u>	<u>174,060</u>	<u>1,183,814</u>	<u>174,060</u>
Total U.S. Department of Agriculture			<u>1,183,814</u>	<u>174,060</u>	<u>1,183,814</u>	<u>174,060</u>
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I Grants to Local Educational Agencies	C1-S1-12	84.010	33,542	0	84,330	0
Title I Grants to Local Educational Agencies	C1-S1-13	84.010	801,300	0	779,541	0
Total Title I Cluster			<u>834,842</u>	<u>0</u>	<u>863,871</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	6B-SD-12	84.027	31,740	0	43,260	0
Special Education - Grants to States (IDEA Part B)	6B-SD-13	84.027	562,569	0	548,565	0
Special Education Grant	6B-SD-13	84.173	9,199	0	9,199	0
Total Special Education Cluster			<u>603,508</u>	<u>0</u>	<u>601,024</u>	<u>0</u>
21st Century Grant		84.287	29,536	0	29,536	0
Improving Teacher Quality	TR-S1-13	84.367	99,230	0	98,687	0
Education Jobs Fund	N/A	84.410	26,603	0	33,886	0
Total U.S. Department of Education			<u>1,593,719</u>	<u>0</u>	<u>1,627,004</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$2,777,533</u>	<u>\$174,060</u>	<u>\$2,810,818</u>	<u>\$174,060</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2013, the District received fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, that is included with 10.555 in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and ending inventory consists of purchased commodities. At June 30, 2013, 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.

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

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

We have audited, 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, the financial statements of the governmental activities, the discreetly presented component unit, each major fund, and the aggregate remaining fund information of Hamilton Local School District (the District), Franklin County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2013, wherein we noted that the District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Hamilton Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance whether the District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We did note certain matters that we have reported to the Management of the District in a separate letter dated December 16, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 16, 2013

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Hamilton Local School District (the District), Franklin County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Hamilton Local School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, in to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, o a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 16, 2013

HAMILTON LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 18, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 16, 2013

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Dave Yost • Auditor of State

HAMILTON LOCAL SCHOOL DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 27, 2014**