

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
HAMILTON COMMUNITY SCHOOLS
STEUBEN COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
02/28/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shannon Johnson Kelley Kitchen	07-01-08 to 08-11-08 08-12-08 to 06-30-11
Superintendent of Schools	Mark Gould (Vacant) Bruce Hippensteel (Interim) (Vacant) Jon Willman	07-01-08 to 06-30-10 07-01-10 to 07-18-10 07-19-10 to 11-19-10 11-20-10 to 11-27-10 11-28-10 to 06-30-11
President of the School Board	Scott Lucas	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 18, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 18, 2011



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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

TO: THE OFFICIALS OF THE HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 18, 2011

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 2,731,503	\$ -	\$ 82,914	\$ (2,648,589)
Support services	1,986,052	117,383	74,873	(1,793,796)
Noninstructional services	284,105	-	-	(284,105)
Facilities acquisition and construction	512,499	-	-	(512,499)
Debt service	316,309	-	-	(316,309)
Nonprogrammed charges	382,288	-	-	(382,288)
Interfund loan and Transfer	40,000	-	-	(40,000)
Total governmental	<u>\$ 6,252,756</u>	<u>\$ 117,383</u>	<u>\$ 157,787</u>	<u>(5,977,586)</u>
General receipts:				
Property taxes				2,922,107
Other local sources				689,360
State aid				2,490,400
Grants and contributions not restricted to specific programs				754,051
Investment earnings				29,357
Other				140
Total general receipts				<u>6,885,415</u>
Change in net assets				907,829
Net assets - beginning				<u>2,036,013</u>
Net assets - ending				<u>\$ 2,943,842</u>
<u>Assets</u>				
Cash and investments				\$ 2,903,277
Restricted assets:				
Cash and investments				<u>40,565</u>
Total assets				<u>\$ 2,943,842</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 40,565
Unrestricted				<u>2,903,277</u>
Total net assets				<u>\$ 2,943,842</u>

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 2,866,047	\$ -	\$ 72,987	\$ (2,793,060)
Support services	2,113,464	117,523	118,923	(1,877,018)
Noninstructional services	314,336	-	-	(314,336)
Facilities acquisition and construction	381,910	-	-	(381,910)
Debt service	315,811	-	-	(315,811)
Nonprogrammed charges	409,870	-	-	(409,870)
Total governmental activities	\$ 6,401,438	\$ 117,523	\$ 191,910	(6,092,005)
General receipts:				
Property taxes				2,138,886
Other local sources				303,823
State aid				3,732,166
Grants and contributions not restricted to specific programs				887,623
Sale of property				35,057
Investment earnings				11,617
Other				163
Total general receipts, interfund loans, transfers, and special items				7,109,335
Change in net assets				1,017,330
Net assets - beginning				2,943,841
Net assets - ending				\$ 3,961,171
<u>Assets</u>				
Cash and investments				\$ 3,797,209
Restricted assets:				
Cash and investments				163,962
Total assets				\$ 3,961,171
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 163,962
Unrestricted				3,797,209
Total net assets				\$ 3,961,171

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Transportation Operating	Rainy Day	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 2,162,003	\$ 425,605	\$ 2,857	\$ 676,963	\$ 496,618	\$ 3,764,046
Intermediate sources	1,590	-	-	-	544	2,134
State sources	2,537,649	-	-	-	44,249	2,581,898
Federal sources	-	-	-	-	812,367	812,367
Interfund loans	160,300	-	-	187,000	87,000	434,300
Other	140	-	-	-	-	140
Total receipts	4,861,682	425,605	2,857	863,963	1,440,778	7,594,885
Disbursements:						
Current:						
Instruction	2,267,364	-	-	-	464,139	2,731,503
Support services	1,319,215	329,078	-	213,213	124,546	1,986,052
Noninstructional services	98,702	-	-	-	185,403	284,105
Facilities acquisition and construction	-	24,058	-	487,816	625	512,499
Debt services	-	-	-	-	316,309	316,309
Nonprogrammed charges	369,363	-	-	-	12,925	382,288
Interfund loans	314,000	-	-	85,000	75,300	474,300
Total disbursements	4,368,644	353,136	-	786,029	1,179,247	6,687,056
Excess of receipts over disbursements	493,038	72,469	2,857	77,934	261,531	907,829
Other financing sources (uses):						
Transfers in	10,457	-	820,000	20,911	35,124	886,492
Transfers out	(876,035)	-	-	-	(10,457)	(886,492)
Total other financing sources (uses)	(865,578)	-	820,000	20,911	24,667	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(372,540)	72,469	822,857	98,845	286,198	907,829
Cash and investments - beginning	1,485,490	291,032	-	48,969	210,522	2,036,013
Cash and investments - ending	\$ 1,112,950	\$ 363,501	\$ 822,857	\$ 147,814	\$ 496,720	\$ 2,943,842
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,112,950	\$ 363,501	\$ 822,857	\$ 147,814	\$ 456,155	\$ 2,903,277
Restricted assets:						
Cash and investments	-	-	-	-	40,565	40,565
Total cash and investment assets - ending	\$ 1,112,950	\$ 363,501	\$ 822,857	\$ 147,814	\$ 496,720	\$ 2,943,842
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 40,565	\$ 40,565
Unrestricted	1,112,950	363,501	822,857	147,814	456,155	2,903,277
Total cash and investment fund balance - ending	\$ 1,112,950	\$ 363,501	\$ 822,857	\$ 147,814	\$ 496,720	\$ 2,943,842

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Transportation Operating	Rainy Day	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 22,660	\$ 763,451	\$ 2,724	\$ 1,071,876	\$ 710,918	\$ 2,571,629
Intermediate sources	26	-	-	-	206	232
State sources	3,784,023	-	-	-	44,333	3,828,356
Federal sources	-	-	-	-	983,344	983,344
Interfund loans	60,000	-	-	-	-	60,000
Other	163	-	-	-	-	163
Total receipts	<u>3,866,872</u>	<u>763,451</u>	<u>2,724</u>	<u>1,071,876</u>	<u>1,738,801</u>	<u>7,443,724</u>
Disbursements:						
Current:						
Instruction	1,889,877	-	-	-	976,182	2,866,059
Support services	1,183,239	345,873	-	273,324	311,028	2,113,464
Noninstructional services	108,328	-	-	-	206,008	314,336
Facilities acquisition and construction	-	-	-	381,910	-	381,910
Debt services	-	-	-	-	315,811	315,811
Nonprogrammed charges	395,296	-	-	11,295	3,279	409,870
Interfund loans	-	-	-	-	60,000	60,000
Total disbursements	<u>3,576,740</u>	<u>345,873</u>	<u>-</u>	<u>666,529</u>	<u>1,872,308</u>	<u>6,461,450</u>
Excess (deficiency) of receipts over disbursements	<u>290,132</u>	<u>417,578</u>	<u>2,724</u>	<u>405,347</u>	<u>(133,507)</u>	<u>982,274</u>
Other financing sources (uses):						
Sale of capital assets	35,056	-	-	-	-	35,056
Transfers in	51,058	-	140,000	-	27,000	218,058
Transfers out	(27,000)	(140,000)	-	-	(51,058)	(218,058)
Total other financing sources (uses)	<u>59,114</u>	<u>(140,000)</u>	<u>140,000</u>	<u>-</u>	<u>(24,058)</u>	<u>35,056</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>349,246</u>	<u>277,578</u>	<u>142,724</u>	<u>405,347</u>	<u>(157,565)</u>	<u>1,017,330</u>
Cash and investments - beginning	<u>1,112,949</u>	<u>363,500</u>	<u>822,857</u>	<u>147,814</u>	<u>496,721</u>	<u>2,943,841</u>
Cash and investments - ending	<u>\$ 1,462,195</u>	<u>\$ 641,078</u>	<u>\$ 965,581</u>	<u>\$ 553,161</u>	<u>\$ 339,156</u>	<u>\$ 3,961,171</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,462,195	\$ 641,078	\$ 965,581	\$ 553,161	\$ 175,194	\$ 3,797,209
Restricted assets:						
Cash and investments	-	-	-	-	163,962	163,962
Total cash and investment assets - ending	<u>\$ 1,462,195</u>	<u>\$ 641,078</u>	<u>\$ 965,581</u>	<u>\$ 553,161</u>	<u>\$ 339,156</u>	<u>\$ 3,961,171</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 163,962	\$ 163,962
Unrestricted	1,462,195	641,078	965,581	553,161	175,194	3,797,209
Total cash and investment fund balance - ending	<u>\$ 1,462,195</u>	<u>\$ 641,078</u>	<u>\$ 965,581</u>	<u>\$ 553,161</u>	<u>\$ 339,156</u>	<u>\$ 3,961,171</u>

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Cash and investments fund balance - ending	<u>\$ 25,074</u>

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Agency Funds</u>
Cash and investments fund balance - ending	<u>\$ 11,994</u>

The notes to the financial statements are an integral part of this statement.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Hamilton Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Ventures

The School Corporation is a participant with other interested School Corporations in DeKalb, LaGrange, Noble, and Steuben Counties in a joint venture to operate the Four County Area Vocational Cooperative (Co-op) which was created to provide vocational instruction for children. The School Corporation is obligated by contract to remit an amount annually to supplement the Co-op. Complete financial statements for the Co-op can be obtained from Garrett-Keyser-Butler-Community School District, 801 Houston Street, Garrett, IN 46738.

The School Corporation is a participant with other interested School Corporations in DeKalb, LaGrange, Noble, and Steuben Counties in a joint venture to operate the Northeast Indiana Special Education Cooperative (Co-op) which was created to provide programs and services for children with special needs. The School Corporation is obligated by contract to remit an amount annually to supplement the Co-op. Complete financial statements for the Co-op can be obtained from DeKalb County Eastern Community School District, 300 East Washington Street, Butler, IN 46721.

The School Corporation is a participant with other interested School Corporations in LaGrange and Steuben Counties in a joint venture to operate the Educational Opportunity Center Cooperative (Co-op) which was created to provide alternative means to achieve high school credit. The School Corporation is obligated by contract to remit an amount annually to supplement the Co-op. Complete financial statements for the Co-op can be obtained from the Metropolitan School District of Steuben County, 400 South Martha Street, Angola, IN 46703.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the Town of Hamilton Park Board.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation currently has no business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of schoolchildren to and from school.

The rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The capital projects fund accounts for planned construction, repair, replacement or remodeling of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

Agency funds account for assets held by the School Corporation as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$3,973,165.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Rainy Day Fund	\$ 820,000	\$ -
	Capital Projects Fund	20,911	-
	Other Governmental Funds	35,124	27,000
Other Governmental Funds	General Fund	10,457	51,058
Transportation Operating Fund	Rainy Day Fund	-	140,000
Totals		<u>\$ 886,492</u>	<u>\$ 218,058</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Hamilton Community Schools Building Corporation (the lessor). The lessor was organized as a for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ending June 30, 2009 and 2010 totaled \$275,518 and \$276,308, respectively.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment healthcare benefits, as authorized by IC 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, eight retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment healthcare benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the years ended June 30, 2009 and 2010, disbursements of \$28,520 and \$19,996 were recognized for postemployment benefits.

D. Subsequent Event

On December 22, 2010, Hamilton Community School Corporation received net proceeds from the sale of General Obligation Bonds of \$1,890,500. The proceeds were receipted into the Construction Fund and will be used to pay for facility improvements and equipping projects at the facilities operated by the School Corporation.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$131,546.

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation's contributions to the plan during the period were \$203,927.

3. Defined Contribution Pension Plan

401(a) Plan

Plan Description

The School Corporation has a defined contribution pension plan administered by The Variable Life Insurance Company as authorized by Indiana Code 5-10-1.1-1. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the School Corporation and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

HAMILTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Variable Life Insurance Company
2929 Allen Parkway, AG-09
Houston, Texas 77019
Ph. (713) 831-4995

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the School Corporation and the Hamilton Education Association. The School Corporation is required to contribute at an actuarially determined rate. The current rate is 2.5% of annual covered payroll. Employer and employee contributions to the plan for the years ended June 30, 2009 and 2010, were \$88,547 and \$86,160, respectively.

HAMILTON COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 758,466	\$ 831,105	\$ (72,639)	91%	\$ 657,868	(11%)
07-01-08	840,549	895,641	(55,092)	94%	643,802	(9%)
07-01-09	835,868	920,511	(84,643)	91%	765,958	(11%)

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Education Preschool	School Lunch	Textbook Rental	Education License Fee	Elementary E/C Travel	Art Donation	Hamilton Life Center
Receipts:							
Local sources	\$ 5,387	\$ 106,157	\$ 24,317	\$ -	\$ -	\$ -	\$ 1,000
Intermediate sources	-	-	-	544	-	-	-
State sources	10,007	-	6,550	-	-	-	-
Federal sources	-	68,323	-	-	-	-	-
Interfund loans	-	7,000	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	15,394	181,480	30,867	544	-	-	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	500
Support services	-	-	58,575	-	-	-	-
Noninstructional services	-	179,987	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	10,903	2,022	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	10,903	182,009	58,575	-	-	-	500
Excess (deficiency) of receipts over disbursements	4,491	(529)	(27,708)	544	-	-	500
Other financing sources (uses):							
Transfers in	-	-	11,100	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	11,100	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,491	(529)	(16,608)	544	-	-	500
Cash and investments - beginning	40,221	529	27,835	4,125	104	400	-
Cash and investments - ending	\$ 44,712	\$ -	\$ 11,227	\$ 4,669	\$ 104	\$ 400	\$ 500
Cash and Investment Assets - Ending							
Cash and investments	\$ 44,712	\$ -	\$ 11,227	\$ 4,669	\$ 104	\$ 400	\$ 500
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 44,712	\$ -	\$ 11,227	\$ 4,669	\$ 104	\$ 400	\$ 500
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	44,712	-	11,227	4,669	104	400	500
Total cash and investment fund balance - ending	\$ 44,712	\$ -	\$ 11,227	\$ 4,669	\$ 104	\$ 400	\$ 500

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Lions Club Donation	Dekko Grant	E/C Assignments	Rieke Donation	Vaughn Memorial	Dekko Einstein	FIST
Receipts:							
Local sources	\$ -	\$ 3,000	\$ 4,071	\$ -	\$ -	\$ -	\$ 1,399
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	3,000	4,071	-	-	-	1,399
Disbursements:							
Current:							
Instruction	-	578	4,096	500	-	35	1,419
Support services	-	-	-	-	42	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	625	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	-	578	4,096	1,125	42	35	1,419
Excess (deficiency) of receipts over disbursements	-	2,422	(25)	(1,125)	(42)	(35)	(20)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,422	(25)	(1,125)	(42)	(35)	(20)
Cash and investments - beginning	500	-	25	10,594	42	35	240
Cash and investments - ending	\$ 500	\$ 2,422	\$ -	\$ 9,469	\$ -	\$ -	\$ 220
Cash and Investment Assets - Ending							
Cash and investments	\$ 500	\$ 2,422	\$ -	\$ 9,469	\$ -	\$ -	\$ 220
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 500	\$ 2,422	\$ -	\$ 9,469	\$ -	\$ -	\$ 220
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	500	2,422	-	9,469	-	-	220
Total cash and investment fund balance - ending	\$ 500	\$ 2,422	\$ -	\$ 9,469	\$ -	\$ -	\$ 220

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Dekko Project Pruis	Gifted/Talented 08-09	Non-English Speaking Program	Center For School Assessment	Title I 07-08	Title I 08-09	Title V,A 06-07
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	27,692	-	-	-	-	-
Federal sources	-	-	-	-	-	337,378	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	27,692	-	150	-	337,378	-
Disbursements:							
Current:							
Instruction	-	36,243	-	-	24,567	305,603	-
Support services	353	-	-	120	1,452	7,590	280
Noninstructional services	-	-	-	-	1,163	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	353	36,243	-	120	27,182	313,193	280
Excess (deficiency) of receipts over disbursements	(353)	(8,551)	-	30	(27,182)	24,185	(280)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(353)	(8,551)	-	30	(27,182)	24,185	(280)
Cash and investments - beginning	1,250	9,160	193	450	27,182	-	280
Cash and investments - ending	\$ 897	\$ 609	\$ 193	\$ 480	\$ -	\$ 24,185	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 897	\$ 609	\$ 193	\$ 480	\$ -	\$ 24,185	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 897	\$ 609	\$ 193	\$ 480	\$ -	\$ 24,185	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	897	609	193	480	-	24,185	-
Total cash and investment fund balance - ending	\$ 897	\$ 609	\$ 193	\$ 480	\$ -	\$ 24,185	\$ -

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title V,A 07-08	Drug Free 07-09	Drug Free 09-11	Title IV,A	TEI	Title II 07-10	Rural Schools Direct
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	344	-	4,782	-	-	30,780	20,988
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	344	-	4,782	-	-	30,780	20,988
Disbursements:							
Current:							
Instruction	-	3,096	-	4,656	-	-	-
Support services	843	-	-	-	-	20,993	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	843	3,096	-	4,656	-	20,993	-
Excess (deficiency) of receipts over disbursements	(499)	(3,096)	4,782	(4,656)	-	9,787	20,988
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(10,457)
Total other financing sources (uses)	-	-	-	-	-	-	(10,457)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(499)	(3,096)	4,782	(4,656)	-	9,787	10,531
Cash and investments - beginning	883	5,567	-	4,656	2,318	24,409	-
Cash and investments - ending	<u>\$ 384</u>	<u>\$ 2,471</u>	<u>\$ 4,782</u>	<u>\$ -</u>	<u>\$ 2,318</u>	<u>\$ 34,196</u>	<u>\$ 10,531</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 384	\$ 2,471	\$ 4,782	\$ -	\$ 2,318	\$ 34,196	\$ 10,531
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 384	\$ 2,471	\$ 4,782	\$ -	\$ 2,318	\$ 34,196	\$ 10,531
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	384	2,471	4,782	-	2,318	34,196	10,531
Total cash and investment fund balance - ending	\$ 384	\$ 2,471	\$ 4,782	\$ -	\$ 2,318	\$ 34,196	\$ 10,531

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title VI Pass-Through	Fiscal Stabilization	Debt Service	Pension Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 281,729	\$ 45,427	\$ 23,981	\$ 496,618
Intermediate sources	-	-	-	-	-	544
State sources	-	-	-	-	-	44,249
Federal sources	18,917	330,855	-	-	-	812,367
Interfund loans	-	-	60,000	20,000	-	87,000
Other	-	-	-	-	-	-
Total receipts	18,917	330,855	341,729	65,427	23,981	1,440,778
Disbursements:						
Current:						
Instruction	-	82,846	-	-	-	464,139
Support services	-	34,298	-	-	-	124,546
Noninstructional services	-	4,253	-	-	-	185,403
Facilities acquisition and construction	-	-	-	-	-	625
Debt services	-	-	275,518	40,791	-	316,309
Nonprogrammed charges	-	-	-	-	-	12,925
Interfund loans	-	-	53,000	22,300	-	75,300
Other	-	-	-	-	-	-
Total disbursements	-	121,397	328,518	63,091	-	\$ 1,179,247
Excess (deficiency) of receipts over disbursements	18,917	209,458	13,211	2,336	23,981	261,531
Other financing sources (uses):						
Transfers in	-	-	24,024	-	-	35,124
Transfers out	-	-	-	-	-	(10,457)
Total other financing sources (uses)	-	-	24,024	-	-	24,667
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,917	209,458	37,235	2,336	23,981	286,198
Cash and investments - beginning	7,065	-	812	182	41,465	210,522
Cash and investments - ending	\$ 25,982	\$ 209,458	\$ 38,047	\$ 2,518	\$ 65,446	\$ 496,720
Cash and Investment Assets - Ending						
Cash and investments	\$ 25,982	\$ 209,458	\$ -	\$ -	\$ 65,446	\$ 456,155
Restricted assets:						
Cash and investments	-	-	38,047	2,518	-	40,565
Total cash and investment assets - ending	\$ 25,982	\$ 209,458	\$ 38,047	\$ 2,518	\$ 65,446	\$ 496,720
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 38,047	\$ 2,518	\$ -	\$ 40,565
Unrestricted	25,982	209,458	-	-	65,446	456,155
Total cash and investment fund balance - ending	\$ 25,982	\$ 209,458	\$ 38,047	\$ 2,518	\$ 65,446	\$ 496,720

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Fee	Elementary E/C Travel	Art Donation
Receipts:							
Local sources	\$ -	\$ 122,372	\$ 25,654	\$ 3,528	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	206	-	-
State sources	9,625	-	7,351	-	-	-	-
Federal sources	-	105,346	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	9,625	227,718	33,005	3,528	206	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	100	59,030	-	-	-	-
Noninstructional services	-	200,735	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	3,279	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	3,279	200,835	59,030	-	-	-	-
Excess (deficiency) of receipts over disbursements	6,346	26,883	(26,025)	3,528	206	-	-
Other financing sources (uses):							
Transfers in	-	-	27,000	-	-	-	-
Transfers out	(51,058)	-	-	-	-	-	-
Total other financing sources (uses)	(51,058)	-	27,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(44,712)	26,883	975	3,528	206	-	-
Cash and investments - beginning	44,712	-	11,227	-	4,669	104	400
Cash and investments - ending	\$ -	\$ 26,883	\$ 12,202	\$ 3,528	\$ 4,875	\$ 104	\$ 400
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 26,883	\$ 12,202	\$ 3,528	\$ 4,875	\$ 104	\$ 400
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 26,883	\$ 12,202	\$ 3,528	\$ 4,875	\$ 104	\$ 400
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	26,883	12,202	3,528	4,875	104	400
Total cash and investment fund balance - ending	\$ -	\$ 26,883	\$ 12,202	\$ 3,528	\$ 4,875	\$ 104	\$ 400

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Hamilton Life Center	Lions Club Donation	Dekko Grant	E/C Assignments	Rieke Donation	FIST
Receipts:						
Local sources	\$ -	\$ -	\$ 3,000	\$ 5,451	\$ -	\$ 551
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	-	3,000	5,451	-	551
Disbursements:						
Current:						
Instruction	-	-	5,283	4,618	-	345
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	-	5,283	4,618	-	345
Excess (deficiency) of receipts over disbursements	-	-	(2,283)	833	-	206
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,283)	833	-	206
Cash and investments - beginning	500	500	2,422	-	9,469	220
Cash and investments - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 139</u>	<u>\$ 833</u>	<u>\$ 9,469</u>	<u>\$ 426</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 500	\$ 500	\$ 139	\$ 833	\$ 9,469	\$ 426
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 139</u>	<u>\$ 833</u>	<u>\$ 9,469</u>	<u>\$ 426</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	500	500	139	833	9,469	426
Total cash and investment fund balance - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 139</u>	<u>\$ 833</u>	<u>\$ 9,469</u>	<u>\$ 426</u>

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Dekko Project Pruis	Staff Wellness Grant	Gifted/Talented 09-10	Gifted/Talented 08-09	Non-English Speaking Program	Center For School Assessment
Receipts:						
Local sources	\$ -	\$ 6,700	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	27,357	-	-	-
Federal sources	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	6,700	27,357	-	-	-
Disbursements:						
Current:						
Instruction	-	-	26,316	485	-	-
Support services	-	3,135	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	3,135	26,316	485	-	-
Excess (deficiency) of receipts over disbursements	-	3,565	1,041	(485)	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,565	1,041	(485)	-	-
Cash and investments - beginning	897	-	-	609	193	480
Cash and investments - ending	<u>897</u>	<u>3,565</u>	<u>1,041</u>	<u>124</u>	<u>193</u>	<u>480</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 897	\$ 3,565	\$ 1,041	\$ 124	\$ 193	\$ 480
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>897</u>	<u>3,565</u>	<u>1,041</u>	<u>124</u>	<u>193</u>	<u>480</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	897	3,565	1,041	124	193	480
Total cash and investment fund balance - ending	<u>897</u>	<u>3,565</u>	<u>1,041</u>	<u>124</u>	<u>193</u>	<u>480</u>

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title I 09-10	Title I 08-09	Title V,A 07-08	Drug Free 07-09	Drug Free 09-11	TEI
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	349,325	26,300	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	349,325	26,300	-	-	-	-
Disbursements:						
Current:						
Instruction	310,655	48,980	-	2,471	1,834	-
Support services	1,680	1,505	384	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	312,335	50,485	384	2,471	1,834	-
Excess (deficiency) of receipts over disbursements	36,990	(24,185)	(384)	(2,471)	(1,834)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	36,990	(24,185)	(384)	(2,471)	(1,834)	-
Cash and investments - beginning	-	24,185	384	2,471	4,782	2,318
Cash and investments - ending	\$ 36,990	\$ -	\$ -	\$ -	\$ 2,948	\$ 2,318
Cash and Investment Assets - Ending						
Cash and investments	\$ 36,990	\$ -	\$ -	\$ -	\$ 2,948	\$ 2,318
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 36,990	\$ -	\$ -	\$ -	\$ 2,948	\$ 2,318
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	36,990	-	-	-	2,948	2,318
Total cash and investment fund balance - ending	\$ 36,990	\$ -	\$ -	\$ -	\$ 2,948	\$ 2,318

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title II 07-10	Title II 09-10	Rural Schools Direct	REAP Federal Grant	Title VI Pass-Through	Fiscal Stabilization
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	5,646	52,273	-	17,452	-	110,763
Interfund loans	-	-	-	-	-	-
Total receipts	5,646	52,273	-	17,452	-	110,763
Disbursements:						
Current:						
Instruction	-	51,598	-	13,245	18,917	199,576
Support services	32,554	411	10,214	-	-	115,372
Noninstructional services	-	-	-	-	-	5,273
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	32,554	52,009	10,214	13,245	18,917	320,221
Excess (deficiency) of receipts over disbursements	(26,908)	264	(10,214)	4,207	(18,917)	(209,458)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(26,908)	264	(10,214)	4,207	(18,917)	(209,458)
Cash and investments - beginning	34,196	-	10,531	-	25,982	209,458
Cash and investments - ending	<u>\$ 7,288</u>	<u>\$ 264</u>	<u>\$ 317</u>	<u>\$ 4,207</u>	<u>\$ 7,065</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 7,288	\$ 264	\$ 317	\$ 4,207	\$ 7,065	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 7,288</u>	<u>\$ 264</u>	<u>\$ 317</u>	<u>\$ 4,207</u>	<u>\$ 7,065</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>7,288</u>	<u>264</u>	<u>317</u>	<u>4,207</u>	<u>7,065</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 7,288</u>	<u>\$ 264</u>	<u>\$ 317</u>	<u>\$ 4,207</u>	<u>\$ 7,065</u>	<u>\$ -</u>

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title I Stimulus	IDEA Stimulus	Debt Service	Pension Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 432,295	\$ 66,912	\$ 44,455	\$ 710,918
Intermediate sources	-	-	-	-	-	206
State sources	-	-	-	-	-	44,333
Federal sources	247,060	69,179	-	-	-	983,344
Interfund loans	-	-	-	-	-	-
Total receipts	<u>247,060</u>	<u>69,179</u>	<u>432,295</u>	<u>66,912</u>	<u>44,455</u>	<u>1,738,801</u>
Disbursements:						
Current:						
Instruction	229,356	62,503	-	-	-	976,182
Support services	-	-	-	-	86,643	311,028
Noninstructional services	-	-	-	-	-	206,008
Debt services	-	-	276,308	39,503	-	315,811
Nonprogrammed charges	-	-	-	-	-	3,279
Interfund loans	-	-	40,000	20,000	-	60,000
Total disbursements	<u>229,356</u>	<u>62,503</u>	<u>316,308</u>	<u>59,503</u>	<u>86,643</u>	<u>1,872,308</u>
Excess (deficiency) of receipts over disbursements	<u>17,704</u>	<u>6,676</u>	<u>115,987</u>	<u>7,409</u>	<u>(42,188)</u>	<u>(133,507)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	27,000
Transfers out	-	-	-	-	-	(51,058)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,058)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,704	6,676	115,987	7,409	(42,188)	(157,565)
Cash and investments - beginning	-	-	38,047	2,519	65,446	496,721
Cash and investments - ending	<u>\$ 17,704</u>	<u>\$ 6,676</u>	<u>\$ 154,034</u>	<u>\$ 9,928</u>	<u>\$ 23,258</u>	<u>\$ 339,156</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 17,704	\$ 6,676	\$ -	\$ -	\$ 23,258	\$ 175,194
Restricted assets:						
Cash and investments	-	-	154,034	9,928	-	163,962
Total cash and investment assets - ending	<u>\$ 17,704</u>	<u>\$ 6,676</u>	<u>\$ 154,034</u>	<u>\$ 9,928</u>	<u>\$ 23,258</u>	<u>\$ 339,156</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 154,034	\$ 9,928	\$ -	\$ 163,962
Unrestricted	<u>17,704</u>	<u>6,676</u>	<u>-</u>	<u>-</u>	<u>23,258</u>	<u>175,194</u>
Total cash and investment fund balance - ending	<u>\$ 17,704</u>	<u>\$ 6,676</u>	<u>\$ 154,034</u>	<u>\$ 9,928</u>	<u>\$ 23,258</u>	<u>\$ 339,156</u>

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Payroll	Cafeteria Payroll	Totals
Additions:			
Agency fund additions	\$ 998,631	\$ 108,264	\$ 1,106,895
Deductions:			
Agency fund deductions	990,277	102,195	1,092,472
Excess of total additions over total deductions	8,354	6,069	14,423
Cash and investment fund balance - beginning	244	10,407	10,651
Cash and investment fund balance - ending	\$ 8,598	\$ 16,476	\$ 25,074

HAMILTON COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Payroll</u>	<u>Cafeteria Payroll</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 964,502	\$ -	\$ 964,502
Deductions:			
Agency fund deductions	<u>961,106</u>	<u>16,476</u>	<u>977,582</u>
Excess of total additions over total deductions	3,396	(16,476)	(13,080)
Cash and investment fund balance - beginning	<u>8,598</u>	<u>16,476</u>	<u>25,074</u>
Cash and investment fund balance - ending	<u>\$ 11,994</u>	<u>\$ -</u>	<u>\$ 11,994</u>

HAMILTON COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 217,570
Buildings	4,323,432
Improvements other than buildings	199,942
Machinery and equipment	<u>1,647,503</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 6,388,447</u></u>

HAMILTON COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Hamilton Community Schools Building Corporation	\$ 220,000	\$ 181,100
Loans payable	222,377	115,502
Bonds payable:		
General obligation bonds:		
Taxable pension bonds	<u>175,000</u>	<u>19,250</u>
Total governmental activities debt	<u>\$ 617,377</u>	<u>\$ 315,852</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE HAMILTON COMMUNITY SCHOOLS, STEUBEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Hamilton Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 18, 2011

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 8,738	\$ 13,740
National School Lunch Program	10.555		<u>80,998</u>	<u>91,624</u>
Total for federal grantor agency			<u>89,736</u>	<u>105,364</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
Basic Grant		08-7610	27,182	-
Basic Grant		09-7610	313,193	50,485
Basic Grant		10-7610	<u>-</u>	<u>312,335</u>
Total for program			<u>340,375</u>	<u>362,820</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-7610	<u>-</u>	<u>229,356</u>
Total for cluster			<u>340,375</u>	<u>592,176</u>
Pass-Through DeKalb Eastern Community School District				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY2009-2010	<u>-</u>	<u>62,503</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY2009-2010	<u>121,397</u>	<u>320,221</u>
Direct Grant				
Rural Education	84.358	S358A97377	-	13,245
Pass-Through Indiana Department of Education				
Rural Education		FY07	<u>-</u>	<u>18,917</u>
Total for program			<u>-</u>	<u>32,162</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	06-7610	4,656	-
		07-7610	3,096	2,471
		08-7610	<u>-</u>	<u>1,834</u>
Total for program			<u>7,752</u>	<u>4,305</u>
Education Technology State Grants Cluster				
Education Technology State Grants	84.318	C1097610	<u>-</u>	<u>52,009</u>
Improving Teacher Quality State Grants	84.367	07-7610	20,993	3,416
		08-7610	<u>-</u>	<u>29,138</u>
Total for program			<u>20,993</u>	<u>32,554</u>
Total for federal grantor agency			<u>490,517</u>	<u>1,095,930</u>
Total federal awards expended			<u>\$ 580,253</u>	<u>\$ 1,201,294</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

HAMILTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hamilton Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ -	\$ 1,956
National School Lunch Program	10.555	15,996	13,668

HAMILTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
	State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

HAMILTON COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

HAMILTON COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 18, 2011, with Scott Lucas, President of the School Board; Kelley Kitchen, Treasurer; and Jon Willman, Superintendent of Schools. Our audit disclosed no material items that warrant comment at this time.