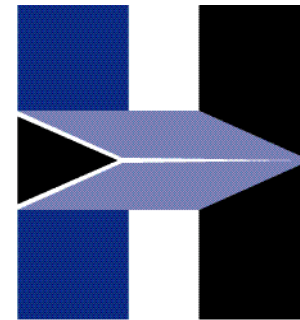


Popular Annual Financial Report

Hamilton City School District
Hamilton, Ohio

For the Fiscal Year Ended June 30, 2005



HAMILTON
CITY SCHOOL
DISTRICT

Mission Statement

The Mission of the Hamilton City School District is to provide an environment where all students experience success through participation in a dynamic educational system provided by a competent and caring staff and enhanced by community involvement.

Treasurer's Message

We are pleased to present the Hamilton City School District's Popular Annual Financial Report (PAFR) for the year ending June 30, 2005. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR summarizes the financial activities and operating results reported in the Hamilton City School District's audited Comprehensive Annual Financial Report (CAFR). The PAFR is unaudited and presented on a non-GAAP (Generally Accepted Accounting Principle) basis, which primarily deals with full disclosure and segregated funds. The statements presented in this report consist of the General Fund of the District. For more detailed financial information a copy of the Comprehensive Annual Financial Report can be obtained from the Treasurer's Office at (513) 887-5000.

The Hamilton City School District has made excellent educational strides while maintaining budget integrity. The last operating levy passed in February 1993. The district has operated at the same voted millage rate during the entire educational career of this year's senior class.

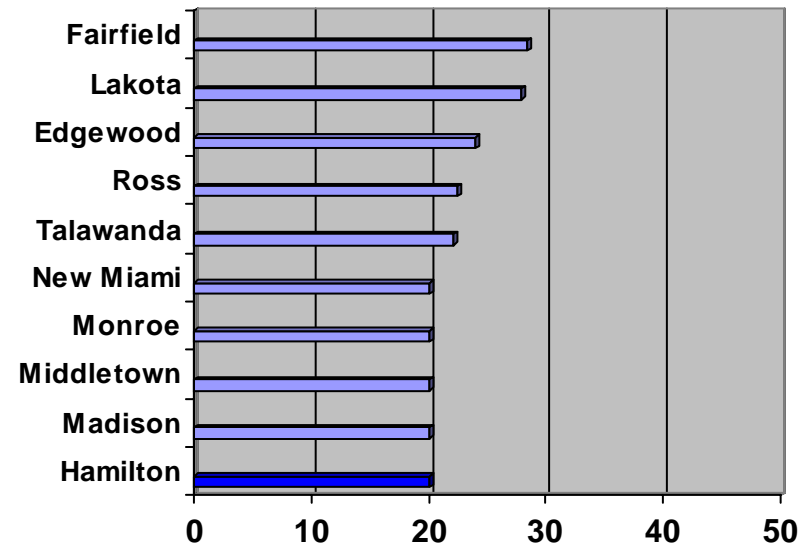
The District is not immune to the financial pressures caused by inflation in areas such as personnel, health care, and utilities. The district has countered these financial pressures by continually right sizing operations where we deemed the financial cost outweighs the educational benefit.

We hope you find the information that follows helpful in understanding the financial position of the school district.

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Treasurer's office at (513) 887-5000 or at 533 Dayton Street, Hamilton, Ohio 45011.

Robert A. Hancock, CPA
Treasurer

Effective Residential/Agricultural Tax Rates Butler County School Districts General Operating Levies Only



The graph above presents the effective millage paid by residents for general operating purposes only. Twenty mills is the lowest millage that a school district effective tax rate can be reduced due to valuation increases.

Residential Tax Calculation

Residential taxes are calculated by multiplying the fair market value of the homeowner's property by the county auditor's assessed valuation of 35%. If a home has a fair market value of \$100,000, the homeowner will pay taxes on the \$35,000 assessed value. The millage rate determines the amount of taxes, and then the rollback factor is applied.

| <i>Tax Terms</i> | <i>Definitions</i> |
|-----------------------------------|---|
| <i>Mill</i> | 1/10 of one cent or \$1 for every \$1,000 of assessed property value. Mills are expressed as a decimal (e.g. 1 Mill = .001). |
| <i>Effective Millage</i> | Actual rate used by the county auditor to compute taxes. |
| <i>Rollback</i> | A 10% reduction in taxes to eliminate the effect of inflation on total revenue to the school district paid by the state of Ohio |
| <i>Homestead Exemption</i> | A 2.5% reduction in taxes for owner-occupied homesteads paid by the state of Ohio |

| Residential Tax Calculation School Portion Only | |
|--|-----------|
| Market Value | \$100,000 |
| x Assessment Rate | 35% |
| Assessed Value | \$35,000 |
| Effective Tax Rate | .0274 |
| Gross School Taxes | \$959.00 |
| - Homestead/Rollback Reduction | \$119.88 |
| Net School Taxes | \$839.12 |

Organization of the District

The Board of Education of the Hamilton City School District (the Board) is a five-member body politic and corporate, as defined by Section 3313.02 of the Ohio Revised Code. The Board serves as the taxing authority, contracting body, policy maker, and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars, and approves the annual appropriation resolution and tax budget.

The Board members represent a cross section of professions found in Hamilton. The Board members on June 30, 2005 were as follows:



| <u>Board Member</u> | <u>Service as a Board Member</u> | | <u>Profession</u> |
|-----------------------------------|---|-----------------------|---------------------------------|
| | <u>Began</u> | <u>Expires</u> | |
| George N. Jonson, Esq., President | 01/01/82 | 12/31/05 | Lawyer |
| Larry Bowling, Vice-President | 01/01/88 | 12/31/07 | Insurance Agent |
| Anna Harvey | 01/01/02 | 12/31/05 | Customer Service Representative |
| Lori Lewis | 01/01/04 | 12/31/07 | Bank Teller |
| Glenn Stitsinger, D.D.S. | 01/01/86 | 02/31/05 | Dentist |

The Superintendent is the chief executive officer of the District, responsible directly to the Board for all education and support operations. Mrs. Janet Baker was appointed Superintendent on June 16, 1992. Mrs. Baker has been in the education profession for 35 years; 3 years as a teacher, and 32 years in administration. Mrs. Baker has a BS in Education from Miami University and a ME from Eastern Kentucky University, and has taken several semester hours of education beyond a master's degree.

The Treasurer is the chief financial officer of the District, responsible directly to the Board for maintaining all financial records, issuing all payments, maintaining custody of all District funds and assets, and investing idle funds as specified by Ohio Law. Mr. Robert A. Hancock, CPA was appointed Treasurer on October 11, 1993. Mr. Hancock, a Certified Public Accountant, has been in the government finance profession for 21 years; 4 years in the government auditing profession, and 17 years as a school district treasurer. Mr. Hancock has a BA with majors in Accounting and Business from Bluffton College.

School District Profile:

The Hamilton City School District (the District) was originally chartered in 1851 by the Ohio State Legislature. In 1853, State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

As of June 30, 2005, the District was the 20th largest in the state of Ohio (among 612 districts) in terms of enrollment and the third largest school district in Butler County. It currently operates 14 elementary schools, 3 junior high schools (grades 7-9), and a comprehensive high school (grades 10-12).

The District provides a wide variety of educational and support services as mandated by the Ohio Revised Code or Board directives. The District's fleet of buses provides transportation services to public and parochial students. Many of the District's students walk to school due to the proximity of neighborhood schools to student population centers.

The food service department serves meals daily at the District's seventeen school lunchrooms. The District's food service department also operates a central warehouse for federal commodities and bulk purchase food items.

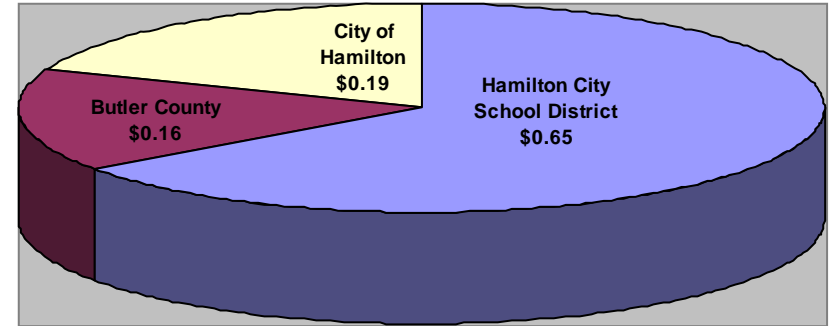
In addition to transportation and school lunch support services offered to children in the District, students also receive guidance, psychological, and health services free of charge. The guidance services are designed to help a student match their natural skills with vocational and/or academic programs to help them achieve their full potential in life. Psychological services offer a wide variety of help to students ranging from early developmentally handicapped identification to drug and behavior counseling. Health services provide limited medical services free of charge to many of Hamilton's youths who otherwise would be unable to have access to these basic needs.

At the center of the District's services are the instructional programs. The District offers regular instructional programs daily to students in grades kindergarten through twelve. The District serves students with an interest in specific trades through vocational education. Children who need individual instruction, who are physically or mentally handicapped, or who are academically gifted are also served by the District. These students receive services through the wide array of special education programs offered in the District.

Programs are also offered to adults in the community through the adult education and adult basic education programs. These programs are designed to offer continuing education to non-traditional students and to help adults obtain a high school diploma.

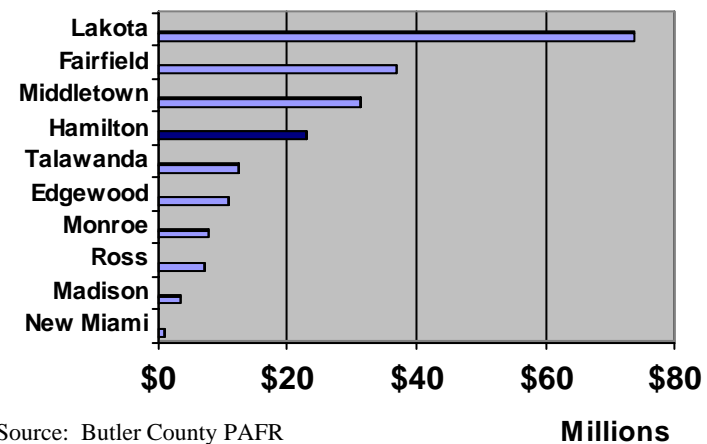
Finally, there are several academic and athletic programs, which students can participate in to provide a number of enriching experiences. Many lessons and activities provide a lifetime of memories to Hamilton's students.

Where does a dollar of your Real Estate Money Go?



The pie chart shown above represents one dollar of your real estate taxes paid for the 2003 tax year collected in 2004. The tax burden for the owner of a \$100,000 home is \$1,291.57, adjusted for certain rollbacks.

The County Treasurer collects all real estate and personal property taxes. The County Auditor then distributes these funds to the entities to which they belong. The following table shows the school districts and the amounts they received in 2004.

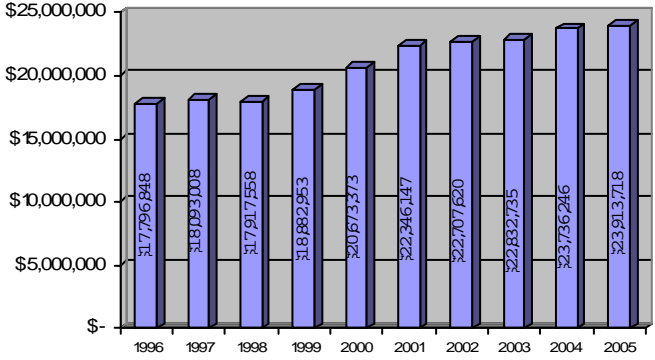


Source: Butler County PAFR

Millions

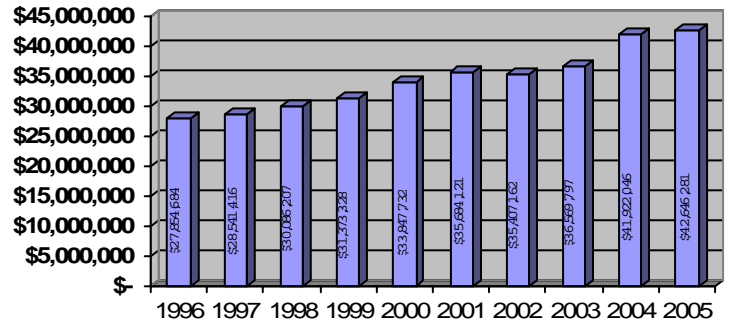


Property Tax Collections



Property taxes provide local revenue to operate and maintain our schools. The above graph shows the actual cash receipts for property taxes over the past ten fiscal years. The District is in its 12th year since a new operating levy was passed. While the District administration and the Board of Education are committed to making our financial resources stretch as far as possible, the level of future increases from the State of Ohio will dictate when the District needs the next operating levy.

State Funding



The chart above depicts actual school foundation receipts from the State of Ohio. The state sends our district school foundation dollars that are critical in running a fiscally solvent school district. The information presented reflects actual cash receipts over the last ten fiscal years.

Hamilton Freshman School

- First new building in 45 years
- Conveniently located to Hamilton High School
- State of the Art Multi Media Center
- New Science Labs and Technology
- Attractive and functional classrooms



Garfield Middle School



- Improved Science Rooms
- Additional Computer Labs
- New Student Furniture and Lockers
- Redesigned Front Entrance
- New area for Student Arrival
- Updated Auditorium
- New Centrally Located Media Center

Hamilton High School

- New Band and Orchestra Rooms
- Remodeled Wing for Fine Arts
- Connector to Improve Traffic Flow
- Improved Lighting and Electrical Capacity
- Updates to the Job Development Center



Summarized Financial Reports

Readers of the Financial Activity Statement and the Financial Position Statement should keep in mind that the numbers in both reports are taken from the District's Comprehensive Annual Financial Report (CAFR), but are presented in a non-GAAP format. The Comprehensive Annual Financial Report can be obtained from the Treasurer's Office.

Benefits over Detriments

The Financial Position Statement, known in accounting terms as the Balance Sheet, reports the benefits (assets) available to provide services. The Detriments (liabilities) are the amounts for which the District is obligated to pay in the future. The table below illustrates the difference between the benefits of the District and the detriments, which it must pay. The end result is the net worth of the District's General Fund.

| Financial Benefits | FY '05 | FY '04 | FY '03 |
|-----------------------------------|----------------|---------------|---------------|
| (Shown in Thousands) | | | |
| Cash and Investments | 5,829 | 8,428 | 8,311 |
| Receivables | 21,845 | 24,497 | 23,498 |
| Other Assets | 2,392 | 1,491 | 765 |
| Total Financial Benefits | 30,066 | 34,416 | 32,574 |
| Financial Detriments | FY '05 | FY '04 | FY '03 |
| (Shown in Thousands) | | | |
| Amount Owed to Vendors | 474 | 568 | 427 |
| Amount Owed to Employees | 9,762 | 9,273 | 8,811 |
| Amount Owed to Other Governments | 274 | 275 | 243 |
| Other Liabilities | 20,952 | 23,613 | 22,736 |
| Total Financial Detriments | 31,462 | 33,728 | 32,217 |
| Benefits Over Detriments | (1,396) | 688 | 357 |

Financial detriments exceeded financial benefits for the first time in three years primarily due to operating expenses outpacing operating revenues. The district made approximately \$850,000 in spending reductions for the 2005-06 school year. Increases in state aid will also help narrow the gap between revenues and expenditures.

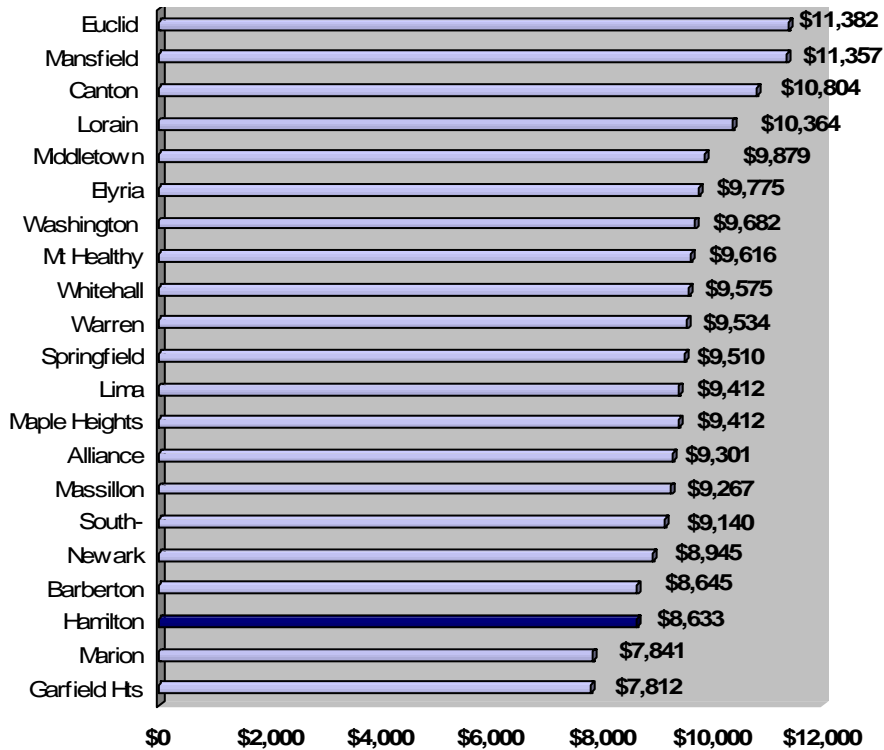
Performance Measures

| School | Performance Indicators (of 23 total indicators) | Average Daily Membership | Expenditure Per Pupil | Revenue Per Pupil | % Students Passing Ohio Graduation Test (FY 04) |
|---------------|--|---------------------------------|------------------------------|--------------------------|--|
| Hamilton | 10 | 9,490 | \$8,633 | \$7,749 | 59.66 |
| Newark | 10 | 6,858 | 8,945 | 7,973 | 47.50 |
| Springfield | 2 | 9,149 | 9,510 | 8,900 | 29.98 |
| Elyria | 9 | 7,956 | 9,775 | 9,037 | 56.78 |
| Canton | 3 | 11,444 | 10,804 | 10,347 | 41.80 |
| Mansfield | 2 | 5,763 | 11,357 | 10,261 | 46.45 |
| Marion | 5 | 5,482 | 7,841 | 8,347 | 53.25 |
| Middletown | 4 | 7,199 | 9,879 | 9,347 | 46.21 |
| Barberton | 7 | 4,548 | 8,645 | 9,050 | 48.85 |
| Euclid | 4 | 6,503 | 11,382 | 10,304 | 43.40 |
| Warren | 3 | 6,567 | 9,534 | 9,583 | 41.46 |
| Lorain | 3 | 9,922 | 10,364 | 10,203 | 24.95 |
| Lima | 2 | 4,980 | 9,412 | 9,563 | 47.92 |
| Garfield | 13 | 4,007 | 7,812 | 8,835 | 53.33 |
| Heights | | | | | |
| Massillon | 4 | 4,562 | 9,267 | 9,147 | 63.61 |
| Maple Heights | 4 | 3,808 | 9,412 | 9,117 | 27.17 |
| Washington | 13 | 6,927 | 9,682 | 9,481 | 45.87 |
| South-Western | 8 | 21,712 | 9,140 | 8,214 | 50.32 |
| Alliance | 3 | 3,256 | 9,301 | 8,168 | 51.27 |
| Whitehall | 3 | 2,970 | 9,575 | 10,041 | 37.10 |
| Mt Healthy | 5 | 3,734 | 9,616 | 9,160 | 62.50 |

Similar Districts are based on comparing demographic, geographic and socioeconomic factors. Similar Districts are presented starting with the most similar district and descending to the least similar district. Data was extracted from the Ohio Department of Education CUPP report updated on December 16, 2004.

Similar Districts Comparison: Expenditures Per Pupil

Similar Districts are based on comparing demographic, geographic and socio-economic factors. Similar Districts are presented in descending order of per pupil expenditures. Data was extracted from the Ohio Department of Education iLRC reports.



Revenues and Resources Over/(Under) Expenditures and Services

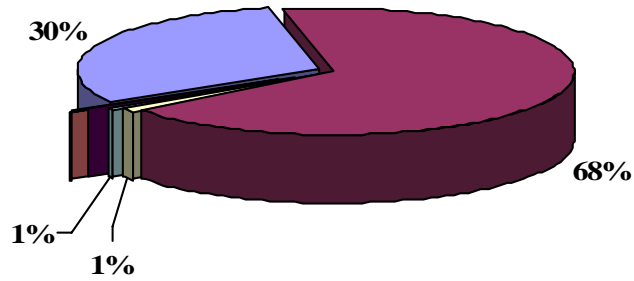
The Financial Activity Statement, known in accounting terms as the income statement, provides a summary of the resources (revenues) and services (expenditures) of the District's General Fund.

| Resources Taken In | FY '05 | FY '04 | FY '03 |
|---|----------------|---------------|---------------|
| (Shown in Thousands) | | | |
| Taxes | 18,571 | 17,976 | 17,920 |
| State and Federal Revenue | 42,419 | 41,535 | 37,890 |
| Tuition | 624 | 543 | 491 |
| Interest | 336 | 174 | 362 |
| Charges for Services | 134 | - | - |
| Miscellaneous | 103 | 109 | 126 |
| Total Revenue and Resources | 62,187 | 60,337 | 56,789 |
| Services Provided | | | |
| (Shown in Thousands) | | | |
| Instruction* | 39,132 | 37,864 | 32,462 |
| Pupil Support** | 4,209 | 3,656 | 4,359 |
| Instructional Staff | 2,776 | 2,450 | 2,666 |
| Administration/Fiscal | 5,583 | 4,748 | 5,427 |
| Business | 364 | 483 | 532 |
| Operation and Maintenance | 7,450 | 7,084 | 7,140 |
| Transportation | 2,465 | 2,030 | 2,043 |
| Central Support | 730 | 614 | 708 |
| Community Service | 12 | 9 | - |
| Extracurricular | 733 | 695 | 677 |
| Capital Outlay | 174 | 100 | 129 |
| Debt Service | 101 | 104 | 168 |
| Total Expenditures and Services | 63,736 | 59,837 | 56,311 |
| Revenues and Resources Over Expenditures | (1,549) | 500 | 478 |

* Includes expenditures for teachers, teaching supplies and teaching equipment

** Includes expenditures that help teachers such as library expenditures, literacy coordinators and funds for teacher development

**Revenues and Resources:
Where the Money Comes From**



| | |
|----------------------------|------------------------------------|
| Taxes \$18,571 | State and Federal Revenue \$42,419 |
| Tuition \$624 | Interest \$336 |
| Charges for Services \$134 | Miscellaneous \$103 |

General Fund Total Revenues: \$62,187 (Shown in Thousands)

Our Expenditures and Services:

The largest portion of the budget is spent on Instruction (61.4%). Regular instruction includes instructional activities designed to prepare students for life as citizens. These items directly impact students in the classroom, from the salaries and benefits of the teachers to the supplies and materials used on a daily basis. Special Instruction relate to students with special needs who require additional support and services.

Pupil Support (6.6%) and Instructional Staff (4.4%) expenditures are used to provide classroom aides, guidance services, library services, technology integration support, lunchroom aides and therapists.

The Administration/Fiscal (8.8%) expenditures account for district-wide administration activities and the Board of Education's operation of the District. Also included in this category are the financial services provided by the District including payroll services, accounts payable services, and annual budgeting.

Operations and Maintenance (11.7%) and Transportation (3.9%) expenditures ensure that students and staff have a safe and efficient environment through custodial, maintenance and transportation services.

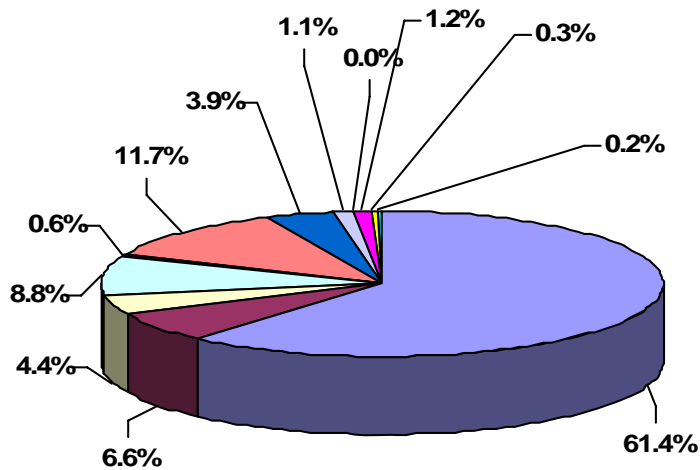
Central Support (1.1%) expenditures relate to the overall operation of the District. Expenditures include technology maintenance staff, computer network maintenance and other district-wide support services.

Extracurricular (1.2%) and Community Service (0.02%) are payments made by the District to support activities that do not directly relate to providing education for pupils in the District. These payments include salaries for advisors and coaches for academic and athletic oriented activities.

Capital Outlay (.3%) expenditures include facilities and building acquisition and construction services, architecture and engineering services, and building improvement services.

Debt Service (.2%) expenditures include copier lease payments paid by the General Fund.

**Expenditures and Services:
Where the Money Goes**



| | |
|-----------------------------|------------------------------------|
| Instruction \$39,132 | Pupil Support \$4,209 |
| Instructional Staff \$2,776 | Administration/Fiscal \$5,583 |
| Business \$364 | Operations and Maintenance \$7,450 |
| Transportation \$2,465 | Central Support \$730 |
| Community Service \$12 | Extracurricular \$733 |
| Capital Outlay \$174 | Debt Service \$101 |

General Fund Total Expenditures: \$63,736 (Shown in Thousands)