



**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Mariemont City School District
Hamilton County
6743 Chestnut Street
Mariemont, Ohio 45227

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Mariemont City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of Mariemont City School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Mariemont City School District, Hamilton County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2000, on our consideration of Mariemont City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

January 20, 2000

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**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Equity in pooled cash and investments	\$1,368,984	\$91,703	\$152,309
Restricted assets:			
Equity in pooled cash	169,993	0	0
Receivables (net of allowances for uncollectibles)			
Taxes - current	10,007,795	0	177,265
Taxes - delinquent	351,933	0	9,408
Accounts	18,738	0	0
Intergovernmental-state and local	67	0	0
Materials and supplies inventory	0	0	0
Property, plant and equipment (net of accumulated depreciation, where applicable)	0	0	0
Other debits:			
Amount to be provided for retirement of General Long-term Obligations	0	0	0
Total assets and other debits	\$11,917,510	\$91,703	\$338,982
LIABILITIES, EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts payable	\$76,080	\$6,811	\$0
Accrued wages and benefits	1,058,917	15,674	0
Due to other governments	13,451	6,960	0
Due to student groups	0	0	0
Deferred revenue	6,296,344	0	48,511
Pension obligation payable	221,643	2,576	0
Compensated absences payable	21,633	0	0
Obligation under capital leases	0	0	0
Total liabilities	7,688,068	32,021	48,511
Fund equity and other credits:			
Investment in general fixed assets	0	0	0
Retained earnings: unreserved	0	0	0
Fund Balances:			
Reserved-			
Reserved for encumbrances	79,136	5,595	118,478
Reserved for property tax advances	3,370,000	0	120,000
Reserved for budget stabilization	169,993	0	0
Unreserved-			
Undesignated	610,313	54,087	51,993
Total fund equity and other credits	4,229,442	59,682	290,471
Total liabilities, fund equity and other credits	\$11,917,510	\$91,703	\$338,982

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations		
\$31,549	\$0	\$47,245	\$0	\$0	\$1,691,790	
0	0	0	0	0	169,993	
0	0	0	0	0	10,185,060	
0	0	0	0	0	361,341	
3,298	0	0	0	0	22,036	
0	0	0	0	0	67	
2,156	0	0	0	0	2,156	
30,089	0	0	9,983,838	0	10,013,927	
0	0	0	0	1,014,673	1,014,673	
<u>\$67,092</u>	<u>\$0</u>	<u>\$47,245</u>	<u>\$9,983,838</u>	<u>\$1,014,673</u>	<u>\$23,461,043</u>	
\$0	\$0	\$0	\$0	\$0	\$82,891	
9,523	0	0	0	0	1,084,114	
0	0	0	0	0	20,411	
0	0	39,265	0	0	39,265	
685	0	0	0	0	6,345,540	
5,214	0	0	0	105,169	334,602	
7,173	0	0	0	662,529	691,335	
0	0	0	0	246,975	246,975	
<u>22,595</u>	<u>0</u>	<u>39,265</u>	<u>0</u>	<u>1,014,673</u>	<u>8,845,133</u>	
0	0	0	9,983,838	0	9,983,838	
44,497	0	0	0	0	44,497	
0	0	0	0	0	203,209	
0	0	0	0	0	3,490,000	
0	0	0	0	0	169,993	
0	0	7,980	0	0	724,373	
<u>44,497</u>	<u>0</u>	<u>7,980</u>	<u>9,983,838</u>	<u>0</u>	<u>14,615,910</u>	
<u>\$67,092</u>	<u>\$0</u>	<u>\$47,245</u>	<u>\$9,983,838</u>	<u>\$1,014,673</u>	<u>\$23,461,043</u>	

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
Revenues:			
From local sources:			
Taxes	\$10,956,354	\$0	\$377,645
Tuition	124,396	0	0
Earnings on investments	154,706	0	0
Extracurricular activities	0	81,495	0
Classroom materials and fees	71,959	0	0
Other local revenues	30,948	5,404	0
Intergovernmental - state and local	3,242,364	42,081	95,516
Intergovernmental - federal	0	184,979	0
Total revenues	14,580,727	313,959	473,161
Expenditures:			
Current:			
Instruction:			
Regular	6,218,247	28,632	0
Special	905,511	100,306	0
Other	19,350	0	0
Support services:			
Pupil	498,915	67,238	0
Instructional staff	644,853	20,088	113,737
General administration	11,211	0	0
School administration	1,060,563	0	0
Fiscal	306,282	0	4,682
Business	46,869	0	0
Operations and maintenance	1,384,312	0	0
Pupil transportation	410,353	0	0
Central	51,203	7,167	0
Food service operations	46	0	0
Non-instructional services	0	0	0
Extracurricular activities	256,225	92,037	0
Capital Outlay	379,408	0	340,748
Debt service:			
Principal retirement	142,887	0	0
Interest and fiscal charges	29,019	0	0
Total expenditures	12,365,254	315,468	459,167
Excess (deficiency) of revenues over (under) expenditures	2,215,473	(1,509)	13,994
Other financing sources (uses):			
Operating transfers in	0	23,000	0
Operating transfers(out)	(41,700)	0	0
Total other financing sources (uses)	(41,700)	23,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	2,173,773	21,491	13,994
Fund balance, July 1	2,055,669	38,191	276,477
Fund balance, June 30	\$4,229,442	\$59,682	\$290,471

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

FIDUCIARY FUND TYPE	Totals (Memorandum Only)
Expendable Trust	
\$0	\$11,333,999
0	124,396
0	154,706
6,880	88,375
0	71,959
1,150	37,502
0	3,379,961
0	184,979
8,030	15,375,877
381	6,247,260
0	1,005,817
0	19,350
0	566,153
0	778,678
0	11,211
0	1,060,563
0	310,964
0	46,869
0	1,384,312
0	410,353
0	58,370
0	46
2,000	2,000
5,904	354,166
0	720,156
0	142,887
0	29,019
8,285	13,148,174
(255)	2,227,703
0	23,000
0	(41,700)
0	(18,700)
(255)	2,209,003
8,235	2,378,572
\$7,980	\$4,587,575

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$9,237,337	\$9,237,337	\$0	\$0	\$0	\$0
Tuition	112,000	124,396	12,396	0	0	0
Earnings on investments	124,000	152,651	28,651	0	0	0
Extracurricular activities	0	0	0	85,000	81,542	(3,458)
Classroom materials and fees	69,000	71,349	2,349	0	0	0
Other local revenues	40,000	32,595	(7,405)	48,223	20,312	(27,911)
Intergovernmental - state and local	3,272,098	3,235,614	(36,484)	41,141	42,082	941
Intergovernmental - federal	0	0	0	169,641	169,979	338
Total revenues	12,854,435	12,853,942	(493)	344,005	313,915	(30,090)
Expenditures:						
Current:						
Instruction:						
Regular	6,138,710	6,138,710	0	44,596	44,596	0
Special	891,473	891,473	0	95,488	95,488	0
Other	19,788	19,788	0	0	0	0
Support services:						
Pupil	481,967	481,967	0	69,180	69,180	0
Instructional staff	731,977	731,977	0	5,554	5,554	0
General administration	11,211	11,211	0	0	0	0
School administration	1,055,658	1,055,658	0	0	0	0
Fiscal	314,198	314,198	0	0	0	0
Business	48,354	48,354	0	0	0	0
Operations and maintenance	1,579,102	1,579,102	0	0	0	0
Pupil transportation	474,524	474,524	0	0	0	0
Central	54,392	54,392	0	7,167	7,167	0
Non-instructional services	0	0	0	0	0	0
Food services operations	46	46	0	0	0	0
Extracurricular activities	257,443	257,443	0	101,029	101,029	0
Capital Outlay	372,374	372,374	0	0	0	0
Debt service:						
Principal retirement	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total expenditures	12,431,217	12,431,217	0	323,014	323,014	0
Excess (deficiency) of revenues over (under) expenditures	423,218	422,725	(493)	20,991	(9,099)	(30,090)
Other financing sources (uses):						
Operating transfers in	0	107,515	107,515	10,000	23,000	13,000
Operating transfers (out)	(149,215)	(149,215)	0	0	0	0
Advances in	0	2,775	2,775	0	0	0
Advances (out)	0	0	0	(75)	(75)	0
Refund of prior year expenditures	0	493	493	0	92	92
Refund of prior year (receipts)	0	0	0	0	(873)	(873)
Proceeds of notes	0	0	0	0	0	0
Total other financing sources (uses)	(149,215)	(38,432)	110,783	9,925	22,144	12,219
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	274,003	384,293	110,290	30,916	13,045	(17,871)
Fund balance, July 1	909,907	909,907	0	40,249	40,249	0
Prior year encumbrances appropriated	76,111	76,111	0	19,045	19,045	0
Fund balance, June 30	\$1,260,021	\$1,370,311	\$110,290	\$90,210	\$72,339	(\$17,871)

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

CAPITAL PROJECTS FUND			TOTAL (MEMORANDUM ONLY)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$352,669	\$352,669	\$0	\$9,590,006	\$9,590,006	\$0
0	0	0	112,000	124,396	12,396
0	0	0	124,000	152,651	28,651
0	0	0	85,000	81,542	(3,458)
0	0	0	69,000	71,349	2,349
0	0	0	88,223	52,907	(35,316)
95,516	95,516	0	3,408,755	3,373,212	(35,543)
0	0	0	169,641	169,979	338
448,185	448,185	0	13,646,625	13,616,042	(30,583)
0	0	0	6,183,306	6,183,306	0
0	0	0	986,961	986,961	0
0	0	0	19,788	19,788	0
0	0	0	551,147	551,147	0
113,736	113,736	0	851,267	851,267	0
0	0	0	11,211	11,211	0
0	0	0	1,055,658	1,055,658	0
4,682	4,682	0	318,880	318,880	0
0	0	0	48,354	48,354	0
0	0	0	1,579,102	1,579,102	0
0	0	0	474,524	474,524	0
0	0	0	61,559	61,559	0
0	0	0	0	0	0
0	0	0	46	46	0
0	0	0	358,472	358,472	0
459,227	459,227	0	831,601	831,601	0
0	0	0	0	0	0
0	0	0	0	0	0
577,645	577,645	0	13,331,876	13,331,876	0
(129,460)	(129,460)	0	314,749	284,166	(30,583)
0	0	0	10,000	130,515	120,515
0	0	0	(149,215)	(149,215)	0
0	0	0	0	2,775	2,775
0	0	0	(75)	(75)	0
0	0	0	0	585	585
0	0	0	0	(873)	(873)
0	0	0	0	0	0
0	0	0	(139,290)	(16,288)	123,002
(129,460)	(129,460)	0	175,459	267,878	92,419
(92,891)	(92,891)	0	857,265	857,265	0
256,182	256,182	0	351,338	351,338	0
\$33,831	\$33,831	\$0	\$1,384,062	\$1,476,481	\$92,419

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Total (Memorandum Only)
Operating revenues:			
Tuition and fees	\$20,998	\$0	\$20,998
Charges for services	337,802	0	337,802
Other operating revenue	<u>2,373</u>	<u>0</u>	<u>2,373</u>
Total operating revenues	361,173	0	361,173
Operating expenses:			
Salaries and wages	128,183	0	128,183
Fringe benefits	26,652	0	26,652
Contract services	101,398	0	101,398
Supplies	162,367	100	162,467
Depreciation	<u>4,582</u>	<u>0</u>	<u>4,582</u>
Total operating expenses	<u>423,182</u>	<u>100</u>	<u>423,282</u>
Operating Income	(62,009)	(100)	(62,109)
Nonoperating revenues:			
Operating grants - state & local	942	0	942
Operating grants - federal	25,361	0	25,361
Operating grants - donated commodities	<u>9,934</u>	<u>0</u>	<u>9,934</u>
Total Nonoperating Revenues	<u>36,237</u>	<u>0</u>	<u>36,237</u>
Loss before operating transfers	<u>(25,772)</u>	<u>(100)</u>	<u>(25,872)</u>
Operating transfers in	18,700	0	18,700
Net Income (Loss)	(7,072)	(100)	(7,172)
Retained earnings at July 1	<u>51,569</u>	<u>100</u>	<u>51,669</u>
Retained earnings at June 30	<u><u>\$44,497</u></u>	<u><u>\$0</u></u>	<u><u>\$44,497</u></u>

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

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Total (Memorandum only)
Cash flows from operating activities:			
Cash received from tuition and fees	\$20,998	\$0	\$20,998
Cash received from charges for services	337,802	0	337,802
Cash payments for personal services	(150,583)	0	(150,583)
Cash payments for contract services	(101,398)	0	(101,398)
Cash payments for supplies and materials	(152,031)	(100)	(152,131)
Net cash provided by operating activities	(45,212)	(100)	(45,312)
Cash flows from noncapital financing activities:			
Cash received from operating grants	26,303	0	26,303
Cash received from operating transfer in	18,700	0	18,700
Cash payment for interfund loans	(2,700)	0	(2,700)
Net cash provided by noncapital financing activities	42,303	0	42,303
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(3,231)	0	(3,231)
Net cash used by capital and related financing activities	(3,231)	0	(3,231)
Net increase (decrease) in cash and cash equivalents	(6,140)	(100)	(6,240)
Cash and cash equivalents at beginning of year	37,689	100	37,789
Cash and cash equivalents at end of year	<u>\$31,549</u>	<u>\$0</u>	<u>\$31,549</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	(62,009)	(100)	(\$62,109)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	4,582	0	4,582
Donated commodities	9,934	0	9,934
Changes in assets and liabilities:			
(Increase) in accounts receivables	(2,373)	0	(2,373)
Decrease in inventories	1,737	0	1,737
Increase in accrued wages and benefits	1,180	0	1,180
Increase in pension obligations	3,696	0	3,696
(Decrease) in compensated absences	(624)	0	(624)
(Decrease)in deferred revenues	(1,335)	0	(1,335)
Net cash provided by operating activities	<u>(\$45,212)</u>	<u>(\$100)</u>	<u>(\$45,312)</u>

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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE A-DESCRIPTION OF THE DISTRICT

The District was chartered 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.

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 88 non-certificated personnel and 133 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 16th in Hamilton County (among 22 Districts) in terms of enrollment and the 7th largest in Hamilton County. It currently operates 3 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

A. Reporting Entity

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Mariemont City School District, this includes general operations, food service, preschool and student related activities of the District. The District is associated with an organization which is defined as a jointly governed organization. This organization is HCCA and is presented in Note Q to the General Purpose Financial Statements.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Basis of Presentation – Fund Accounting

The accounts of the District are maintained on the basis of fund and account groups. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following fund types and account groups are used by the District:

1. Governmental Fund Types

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

2. Proprietary Fund Types:

Proprietary Fund Types are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

Enterprise Funds

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

Internal Service Fund

Internal Service Funds account for the financing of services provided by one department or agency to another department or agency of the District or to other governmental units on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary Fund Types are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds.

General Long Term Obligations Account Group

This account group is established to account for all long term obligations of the District, except those accounted for in Proprietary Funds.

C. Measurement Focus and Basis of Accounting

Measurement Focus: Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "financial resources", measurement focus. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available expendable resources. Only current assets and current liabilities are generally included on the balance sheet.

Proprietary Fund Types are accounted for on a cost of services, or "economic resources", measurement focus. Proprietary Fund Types income statements represent increases and decreases in net total assets. All assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. Revenue accrued at the end of the fiscal year included property taxes available for advances, delinquent property taxes, interest, tuition, and state and federal grants. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Current property taxes measurable as of June 30, 1999 and delinquent property taxes whose availability is indeterminate that are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except for unmatured principal and interest on long term debt which is recognized when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount as donated commodity revenue. Unused donated commodities are reported as deferred revenue.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the budget, which includes amendments, for each fund type by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuring year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1998-99 and none were significant.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

The original appropriation measure was amended during the year as follows:

Fund Type

Governmental:	
General	\$ (350,302)
Special Revenue	(28,911)
Capital Projects	(42,646)

E. Encumbrances

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note N provides a reconciliation of the budgetary basis and GAAP basis of accounting.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet.

During fiscal year 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$154,706.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are reported as cash equivalents.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization, textbook, and capital acquisition reserves, as required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 67,750
Current Year Set-aside Requirement	204,486	204,486	102,243
Current Year Offsets	(25,803)	(352,669)	0
Additional Qualifying Disbursements	<u>(341,398)</u>	<u>(175,491)</u>	<u>0</u>
Total	<u>\$ (162,715)</u>	<u>\$ (323,674)</u>	<u>\$ 102,243</u>
Set-aside Cash Balance as of June 30, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 169,993</u>

H. Inventory (Material and Supplies)

Inventories of governmental funds are valued at cost (First-in, First-out) and are determined by physical count. The proprietary fund inventories are recorded as expenses when used at the lower of cost or market. The District did not have any material governmental inventories for the fiscal year ended June 30, 1999.

I. Fixed Assets and Depreciations

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$200 and a useful life of less than 5 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure. Interest incurred during the construction of general fixed assets is not capitalized.

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5 to 20

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements (to the extent they are intended to finance the current fiscal year) and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

K. Interfund Transactions

During the course of normal operations the District has numerous transactions between funds. The most significant include:

Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no interfund loans or long term advances as of June 30, 1999.

J. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>VACATION</u>	<u>Certified</u>	<u>Administrators and Exempt</u>	<u>Non-Certificated</u>
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	25 days	25 days
Vested	Not Applicable	25 days	25 days
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SICK LEAVE

How earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective proprietary fund.

K. Long-Term Obligations

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

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property taxes, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

M. Memorandum Only Total Columns

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

N. Authoritative Sources

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE C-FUND BALANCE DEFICIT

The following Title I Special Revenue Fund had a deficit fund balance of \$4,939 due to the timing of the reimbursement check from the Federal Agency.

NOTE D-EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund types portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments".

State Statute requires the classification of monies held by the District into three categories:

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities:
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE D-EQUITY IN POOLED CASH AND INVESTMENTS

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

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

Deposits: At year end the carrying amount of the District's deposits was \$231. The bank balance of deposits was \$1,118. All the bank balance was covered by federal depository insurance.

Investments: The Governmental Accounting Standards Board has established categories to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at June 30, 1999 are classified as follows:

	<u>Category</u>		Carrying	Fair
1	2	3	Value	Value
State Treasury Pool			\$1,810,432	\$1,810,432
Repurchase Agreement		\$51,116	51,116	51,116
Total Investment		<u>\$51,116</u>	<u>\$1,861,548</u>	<u>\$1,861,548</u>

¹ The District's investment in the Ohio State Treasurer's pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE E-PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based are as follows:

Tangible Personal	\$ 27,177,010
Real estate	<u>183,757,060</u>
Total assessed property value	<u>\$ 210,934,070</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 1999, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 1999, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which are measurable at June 30, 1999. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 1999. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE F-RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

A summary of the principal items of receivables follows:

<u>Fund</u>	<u>Receivable</u>	<u>Amount</u>
General Fund	Taxes - Current & Delinquent	\$10,359,728
	Accounts	18,738
Capital Projects Funds	Taxes - Current & Delinquent	186,673
Enterprise Funds	Accounts	3,298

NOTE G-FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group during the year follows:

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land/Improvements	\$ 271,079	\$ 0	\$ 0	\$ 271,079
Building/Building Improvements	6,748,233	577,305	375,248	6,950,290
Furniture/Equipment	1,888,920	266,822	0	2,155,742
Vehicles	<u>580,748</u>	<u>25,979</u>	<u>0</u>	<u>606,727</u>
Total	<u>\$ 9,488,980</u>	<u>\$ 870,106</u>	<u>\$ 375,248</u>	<u>\$ 9,983,838</u>

There was no significant construction in progress as of June 30, 1999.

A summary of the Proprietary Fund fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 67,729
Less Accumulated Depreciation	<u>(37,640)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 30,089</u>

NOTE H-CAPITALIZED LEASES - LESSEE

In prior years, the District has entered into capitalized leases for the acquisition of music instruments and phone, office and energy conservation equipment. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the General Purpose Financial Statements for the Governmental Funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE H-CAPITALIZED LEASES – LESSEE (Continued)

June 2000	\$ 168,702
June 2001	95,674
June 2002	<u>6,990</u>
Total Payments	\$ 271,366
Less: Amounts representing Interest	<u>24,391</u>
Present Value of Minimum Lease Payments	<u>\$ 246,975</u>

NOTE I-CHANGES IN THE GENERAL LONG TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences and pension obligations will be paid from the fund from which the employee is paid. Capital leases will be paid from the general fund.

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 1999</u>
Compensated Absences	\$ 558,775	\$103,754	\$ 0	\$ 662,529
Pension Obligations	94,873	10,296	0	105,169
Capital Leases	<u>389,862</u>	<u>0</u>	<u>142,887</u>	<u>246,975</u>
Total	<u>\$ 1,043,510</u>	<u>\$ 114,050</u>	<u>\$ 142,887</u>	<u>\$ 1,014,673</u>

NOTE J-LEGAL DEBT MARGIN

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$18,984,066 and an unvoted debt margin of \$210,934.

NOTE K-SEGMENT INFORMATION

Enterprise Funds

The District maintains four Enterprise Funds to account for the operations of Food Service, Uniform School Supply, Extended Time and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE K-SEGMENT INFORMATION (Continued)

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Extended Time</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$195,447	\$14,726	\$144,728	\$6,272	\$361,173
Operating expenses before depreciation	243,192	34,249	129,185	8,498	415,124
Depreciation	4,582	0	0	0	4,582
Operating Income (Loss)	(52,327)	(19,523)	15,543	(2,226)	(58,533)
Operating Grants	36,237	0	0	0	36,237
Operating Transfers-in	18,700	0	0	0	18,700
Net Income (Loss)	2,610	(19,523)	15,543	(2,226)	(3,596)
Net Working Capital	(1,049)	10,022	14,658	3,164	26,795
Fixed Asset Additions	3,231	0	0	0	3,231
Total Assets	33,036	10,022	20,870	3,164	67,092
	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Extended Time</u>	<u>Adult Education</u>	<u>Total</u>
Total Liability	8,248	0	14,347	0	22,595
Total Equity	24,788	10,022	6,523	3,164	44,497

NOTE L-EMPLOYEE RETIREMENT SYSTEMS

A. State Teachers Retirement System

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

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE L-EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$882,439, \$815,472, and \$782,420, respectively; 80.56 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. With \$171,631 representing the unpaid contribution for fiscal year 1999, it is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District participates in the State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 10.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$239,103, and \$372,438 and \$355,710, respectively. The District has contributed 46.72 percent for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. With \$162,971 representing the unpaid contribution for fiscal year 1999, it is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE M - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the District, this amount equaled \$220,610 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 1998, net health care costs pay by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE M - POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$85,052 during the 1999 fiscal year.

NOTE N-BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses from GAAP
Basis to Budgetary Basis

Governmental Fund Types	General <u>Fund</u>	Special Revenue <u>Funds</u>	Capital Projects <u>Funds</u>	<u>Total</u>
GAAP Basis	\$ 1,909,224	\$ 21,491	\$5,832	\$1,936,547
Net Adjustment for Revenue Accruals	(1,472,908)	(44)	(16,814)	(1,489,766)
Net Adjustment for Expenditure Accruals	113,869	10,946	0	124,815
Net Adjustment for Other Sources and Uses	2,775	(856)	0	1,919
Net Adjustment for Encumbrances	<u>(168,667)</u>	<u>(18,492)</u>	<u>(118,478)</u>	<u>(305,637)</u>
Budgetary Basis	<u>\$ 384,293</u>	<u>\$ 13,045</u>	<u>\$ (129,460)</u>	<u>\$ 267,878</u>

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE O-COMPLIANCE AND ACCOUNTABILITY

State Statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

NOTE P-CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

Currently, no litigation is pending against the District.

NOTE Q—JOINTLY GOVERNED

Hamilton/Clermont Cooperative Association

The Hamilton/Clermont Cooperative Association (H/CCA) is a governmental jointly governed organization among two county consortium of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CCA based upon a per pupil charge dependent upon the software package utilized. H/CCA is governed by a Board of Directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

NOTE R-RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years.

NOTE S-SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "School Foundation Program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,205,125 of school foundation support for its General Fund.

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE S-SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas in Perry County to the Ohio Supreme Court. As of the date of these financial statements, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, schools districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE T-YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that could have adversely affect the government's operations as early as fiscal 1999.

The District has complete an inventory of computer systems and other equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has five school buildings with power systems which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The District uses an external service organization for these services. The external service organization and the State are responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Hamilton County collects property taxes for distribution to the District. Hamilton County is responsible for remediating the tax collection system.

Power systems have been tested and validated and are currently Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mariemont City School District
Hamilton County
6743 Chestnut Street
Mariemont, Ohio 45227

To the Board of Education:

We have audited the financial statements of Mariemont City School District, Hamilton County, Ohio, as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mariemont City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10431-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of Mariemont City School District in a separate letter dated January 20, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mariemont City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Mariemont City School District in a separate letter dated January 20, 2000.

Mariemont City School District
Hamilton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

January 20, 2000

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-10431-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Sixty percent of the transactions tested had the purchase order dated after the invoice date. These did not meet the exceptions provided in the Code.

A search of unrecorded liabilities discovered \$72,897 in obligations not properly encumbered as of June 30, 1999. These did not meet the exceptions provided in the Code.

All student activity sponsors should use the District's purchasing system. Of the student activity fund raisers reviewed, the Entertainment Book Sale, Yearbook Sale and the Magazine Drive did not properly encumber funds before expending them. Purchase orders were dated after the invoice date.

These instances violate the Ohio Revised Code, and also allows misappropriation of funds. Using the purchasing procedures of the District allows for segregation of duties and independent approval for items.



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MARIEMONT CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2000**