



**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Board of Education  
Lockland City School District  
210 North Cooper Avenue  
Cincinnati, Ohio 45215

We have audited the accompanying general-purpose financial statements of the Lockland City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the Lockland City School District, Hamilton County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with auditing standards generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

June 15, 2001

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**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	
<b>ASSETS AND OTHER DEBITS</b>								
ASSETS:								
Equity in pooled cash, cash equivalents and investments . . . . .	\$2,920,241	\$384,403	\$1,953,517	\$41,937	\$69,521	\$147,291		\$5,516,910
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .								
Cash with fiscal agent . . . . .								
Cash in segregated accounts . . . . .								
Investments . . . . .								
Receivables (net of allowances of uncollectibles):								
Property taxes - current & delinquent . . . . .	5,998,716		837,064					6,835,780
Accounts . . . . .	1,076	819	4,500		798			7,193
Accrued interest . . . . .	70,645							70,645
Interfund loan receivable . . . . .								
Due from other governments . . . . .	378	3,870						4,248
Due from other funds . . . . .	1,578,474							1,578,474
Advances to other funds . . . . .								
Prepayments . . . . .	17,445							17,445
Materials and supplies inventory . . . . .					2,332			2,332
Restricted assets:								
Equity in pooled cash and cash equivalents . . . . .	539,107							539,107
Funds on deposit with deferred compensation boards . . . . .								
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					33,352		\$1,981,324	2,014,676
OTHER DEBITS:								
Amount available in Debt Service Fund . . . . .							\$515,554	515,554
Amount to be provided for retirement of General Long-Term Obligations . . . . .							4,973,761	4,973,761
Total assets and other debits . . . . .	\$11,126,082	\$389,092	\$2,795,081	\$41,937	\$106,003	\$147,291	\$1,981,324	\$22,076,125

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

(Continued)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		Account Groups	
										General	Long-Term Obligations
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accrued wages and benefits . . . . .	\$543,897	\$76,362		\$16,177					\$636,436		
Compensated absences payable . . . . .	43,985			12,096			\$446,253		502,334		
Pension obligation payable . . . . .	70,847	9,928		4,877			1,547		87,199		
Deferred revenue . . . . .	5,121,418		\$696,811	1,075					5,819,304		
Due to other governments . . . . .	17,503		2,321						19,824		
Due to students . . . . .					\$9,841				9,841		
Due to other funds . . . . .			1,578,474						1,578,474		
Accrued interest payable . . . . .			1,921						1,921		
General obligation bonds payable . . . . .							5,011,515		5,011,515		
Energy conservation notes payable . . . . .							30,000		30,000		
<b>Total liabilities . . . . .</b>	<b>5,797,650</b>	<b>86,290</b>	<b>2,279,527</b>	<b>34,225</b>	<b>9,841</b>		<b>5,489,315</b>		<b>13,696,848</b>		
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets . . . . .								\$1,981,324	1,981,324		
Contributed capital . . . . .				13,783					13,783		
Retained earnings: unreserved . . . . .				57,995					57,995		
<b>Fund balances:</b>											
Reserved for prepayments . . . . .	17,445								17,445		
Reserved for debt service . . . . .			405,554						405,554		
Reserved for tax revenue unavailable for appropriation . . . . .	700,000		110,000						810,000		
Reserved for instructional materials . . . . .	248,230								248,230		
Reserved for capital acquisition . . . . .	136,179								136,179		
Reserved for budget stabilization . . . . .	154,698								154,698		
Unreserved-undesignated . . . . .	4,071,880	302,802				\$41,937			4,554,069		
<b>Total equity and other credits . . . . .</b>	<b>5,328,432</b>	<b>302,802</b>	<b>515,554</b>	<b>71,778</b>	<b>137,450</b>			<b>1,981,324</b>	<b>8,379,277</b>		
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$11,126,082</b>	<b>\$389,092</b>	<b>\$2,795,081</b>	<b>\$106,003</b>	<b>\$147,291</b>		<b>\$5,489,315</b>	<b>\$1,981,324</b>	<b>\$22,076,125</b>		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, 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, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$5,187,966		\$750,308			\$5,938,274
Tuition . . . . .	185,108					185,108
Earnings on investments . . . . .	311,656			\$4,397	\$1,125	317,178
Other local revenues . . . . .	7,518	\$46,924			122,320	176,762
Other revenue . . . . .						
Intergovernmental - State . . . . .	1,490,736	395,888	49,775			1,936,399
Intergovernmental - Federal . . . . .		298,052				298,052
<b>Total revenue . . . . .</b>	<b>7,182,984</b>	<b>740,864</b>	<b>800,083</b>	<b>4,397</b>	<b>123,445</b>	<b>8,851,773</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	2,489,617	339,524				2,829,141
Special . . . . .	347,997	176,050				524,047
Vocational . . . . .	72,455					72,455
Other . . . . .						
Support services:						
Pupil . . . . .	319,305	27,922				347,227
Instructional staff . . . . .	507,899	236,869			6,027	750,795
Board of Education . . . . .	25,077				250	25,327
Administration . . . . .	905,154					905,154
Fiscal . . . . .	228,189		158,592			386,781
Business . . . . .	115,558					115,558
Operations and maintenance . . . . .	839,513	16,047				855,560
Pupil transportation . . . . .	69,829					69,829
Central . . . . .	10,840					10,840
Community services:						
Extracurricular activities . . . . .	196,565	58,352			1,623	256,540
Facilities services . . . . .	43,095					43,095
Debt service:						
Principal retirement . . . . .			320,000			320,000
Interest and fiscal charges . . . . .			358,225			358,225
<b>Total expenditures . . . . .</b>	<b>6,171,093</b>	<b>854,764</b>	<b>836,817</b>		<b>7,900</b>	<b>7,870,574</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	1,011,891	(113,900)	(36,734)	4,397	115,545	981,199
Other financing sources (uses):						
Operating transfers in . . . . .		8,520				8,520
Operating transfers out . . . . .	(94,401)					(94,401)
Proceeds of capital lease transaction . . . . .						
Proceeds of bonds . . . . .			5,177,186			5,177,186
Proceeds of notes . . . . .						
Payment to refunded bond escrow agent . . . . .			(5,029,821)			(5,029,821)
Proceeds from sale of assets . . . . .	6,450					6,450
<b>Total other financing sources (uses) . . . . .</b>	<b>(87,951)</b>	<b>8,520</b>	<b>147,365</b>			<b>67,934</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	923,940	(105,380)	110,631	4,397	115,545	1,049,133
Fund balance (Deficit), July 1 . . . . .	4,404,492	408,182	404,923	37,540	21,905	5,277,042
Increase in reserve for inventory . . . . .						
<b>Fund balance (Deficit), June 30 . . . . .</b>	<b>\$5,328,432</b>	<b>\$302,802</b>	<b>\$515,554</b>	<b>\$41,937</b>	<b>\$137,450</b>	<b>\$6,326,175</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)			
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	
<b>Revenues:</b>																
From local sources:																
Taxes.....	\$5,426,729	\$3,848,255	(\$1,578,474)		\$2,353,654	\$1,645,994	\$0	\$0	\$6,134,389	\$6,201,909	\$67,520					
Tuition.....	185,108	185,108	0						185,108	185,108	0					
Earnings on investments.....	288,990	288,989	(1)						293,387	293,387	3					
Other local revenues.....	804	6,917	6,113						50,878	123,022	72,144					
Intergovernmental - State.....	1,394,571	1,492,808	98,237		49,775	49,775			1,789,460	1,943,414	153,954					
Intergovernmental - Federal.....									220,854	331,095	110,241					
<b>Total revenues.....</b>	<b>7,296,202</b>	<b>5,822,077</b>	<b>(1,474,125)</b>	<b>848,031</b>	<b>2,403,429</b>	<b>1,695,769</b>	<b>4,394</b>	<b>4,398</b>	<b>8,674,073</b>	<b>9,077,935</b>	<b>403,862</b>					
<b>Expenditures:</b>																
Current:																
Instruction:																
Regular.....	2,632,236	2,342,385	289,851		7,497	7,497			2,976,750	2,679,402	297,348					
Special.....	336,118	341,458	(5,340)		1,403	1,403			506,761	510,698	(3,937)					
Vocational.....	56,040	70,347	(14,307)						56,040	70,347	(14,307)					
Support services:																
Pupil.....	630,405	301,784	328,621		29,273	0			679,678	331,057	348,621					
Instructional staff.....	413,466	477,506	(64,040)		230,644	(2,495)			641,615	708,150	(66,535)					
Board of Education.....	23,850	24,247	(397)						23,850	24,247	(397)					
Administration.....	607,373	822,065	(214,692)						607,373	822,065	(214,692)					
Fiscal.....	191,463	219,815	(28,352)		0	(10,128)		0	191,463	229,943	(38,480)					
Business.....	116,010	116,048	(38)						116,010	116,048	(38)					
Operations and maintenance.....	777,206	840,299	(63,093)		13,369	(1,085)			789,490	853,668	(64,178)					
Pupil transportation.....	52,455	68,695	(16,240)						52,455	68,695	(16,240)					
Central.....	227,039	194,980	32,059		58,352	4,207			289,598	253,332	36,266					
Extracurricular activities.....	42,450	45,095	(2,645)						42,450	43,095	(645)					
Facilities services.....																
Debt service:																
Principal retirement.....																
Interest and fiscal charges.....																
<b>Total expenditures.....</b>	<b>6,126,111</b>	<b>5,873,564</b>	<b>252,547</b>	<b>847,422</b>	<b>837,895</b>	<b>9,527</b>	<b>690,933</b>	<b>690,932</b>	<b>370,804</b>	<b>360,804</b>	<b>10,000</b>					
Excess (deficiency) of revenues over (under) expenditures.....	1,170,091	(51,487)	(1,221,578)	(181,605)	10,136	191,741	16,727	1,712,497	1,695,770	4,398	4,398	4,398	1,675,544	1,675,544	665,937	
Other financing sources (uses):																
Proceeds from sale of bonds.....									5,349,616	5,349,616	(5,349,616)					
Payment to refunded bond escrow agent.....									(5,349,616)	(5,349,616)						
Refund of prior year's expenditures.....									2,533	0	2,533					
Refund of prior year's receipts.....									(2,533)	0	(2,533)					
Operating transfers in.....									1,523,085	8,521	(1,514,564)					
Operating transfers (out).....	(40,000)	(94,401)	(54,401)		8,521	8,521		1,523,085	(40,000)	(94,401)	(54,401)					
Proceeds of sale of fixed assets.....	5,975	5,975	0						5,975	5,975	0					
<b>Total other financing sources (uses).....</b>	<b>(34,025)</b>	<b>(88,426)</b>	<b>(54,401)</b>	<b>0</b>	<b>8,521</b>	<b>8,521</b>	<b>1,523,085</b>	<b>0</b>	<b>1,489,060</b>	<b>(79,905)</b>	<b>(1,568,965)</b>					
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	1,136,066	(139,913)	(1,275,979)	(181,605)	18,657	200,262	1,539,812	1,712,497	172,685	4,398	4,398	4,398	1,595,639	1,595,639	(903,028)	
Fund balances, July 1.....	3,599,261	3,599,261	0	471,200	471,200	0	241,020	241,020	0	37,539	37,539	0	4,349,020	4,349,020	0	
Fund balances, June 30.....	\$4,735,327	\$3,459,348	(1,275,979)	\$289,595	\$489,857	\$200,262	\$1,780,832	\$1,953,517	\$172,685	\$41,933	\$41,937	\$4	\$6,847,687	\$5,944,659	(903,028)	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees . . . . .	\$16,687
Sales/charges for services . . . . .	115,036
Other operating revenues . . . . .	55,000
Total operating revenues . . . . .	186,723
Operating expenses:	
Personal services. . . . .	155,294
Contract services. . . . .	40,502
Materials and supplies. . . . .	160,097
Depreciation. . . . .	4,732
Other. . . . .	446
Total operating expenses. . . . .	361,071
Operating loss. . . . .	(174,348)
Nonoperating revenues:	
Operating grants. . . . .	101,694
Federal commodities . . . . .	10,544
Total nonoperating revenues. . . . .	112,238
Net loss before operating transfers. . . . .	(62,110)
Operating transfers in . . . . .	85,881
Net income. . . . .	23,771
Retained earnings July 1 . . . . .	34,224
Retained earnings June 30 . . . . .	\$57,995

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2000

(SEE ACCOUNTANT'S COMPILATION REPORT)

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$16,094
Cash received from sales/service charges . . . . .	114,831
Cash received from other operations . . . . .	71,000
Cash payments for personal services . . . . .	(154,854)
Cash payments for contract services . . . . .	(40,502)
Cash payments for supplies and materials . . . . .	(150,257)
Cash payments for other expenses . . . . .	(446)
Net cash used in operating activities . . . . .	(144,134)
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	102,030
Transfers in from other funds . . . . .	85,881
Net cash provided by noncapital financing activities . . . . .	187,911
Net increase in cash and cash equivalents . . . . .	43,777
Cash and cash equivalents at beginning of year . . . . .	25,744
Cash and cash equivalents at end of year . . . . .	\$69,521
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	(\$174,348)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	4,732
Federal donated commodities . . . . .	10,544
Changes in assets and liabilities:	
Increase in supplies inventory . . . . .	(1,082)
Decrease in accounts receivable . . . . .	15,202
Decrease in accrued wages & benefits . . . . .	(877)
Increase in compensated absences payable . . . . .	664
Increase in pension obligation payable . . . . .	653
Increase in deferred revenue . . . . .	378
Net cash used in operating activities . . . . .	(\$144,134)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Lockland City School District (the "District") is located in Southwestern Ohio in central Hamilton County. The District includes all of the City of Lockland and serves an area of approximately 5 square miles.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 567th largest by enrollment among the 660 public and community school districts in the State. It currently operates 2 elementary schools and 1 comprehensive high school. The District employs 29 non-certified and 63 certified (including administrative) full-time and part-time employees to provide services to approximately 705 students in grades K through 12 and various community groups.

**NOTE 2 - 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.

**A. The 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. The District has no component units. The following organizations are described due to their relationship to the District.

*C Jointly Governed Organization*

Great Oaks Joint Vocational School (JVS). The vocational school is a separate body politic and corporate established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The JVS accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Public Entity Risk Pool*

Ohio School Boards Association Workers' Compensation Group Rating Plan. The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

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. The General fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (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.

**FIDUCIARY FUNDS**

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. The Expendable Trust Fund is accounted for in essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 government, the following account groups are used:

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary funds.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary funds.

**C. Measurement Focus/Basis of Accounting**

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues.



**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit 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.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. 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 ensuing 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 amounts set forth in the final Amended Certificate issued for fiscal year 2000.

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

4. 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.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. 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.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase</u>	<u>Decrease</u>
General Fund	\$137,236	
Special Revenue Funds	171,882	
Debt Service Fund	26,618	
Capital Projects Funds		\$(84,450)
Enterprise Funds	73,532	
Trust Funds	6,873	

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

9. Unencumbered appropriations lapse at year-end. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with 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. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 10 to the financial statements.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both restricted and unrestricted) on the combined balance sheet.

During fiscal 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), money-market mutual funds, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and money-market mutual funds are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Board of Education allocates investment earnings to the General fund, the Building Fund, and the Expendable Trust fund, in accordance with Ohio statute. Interest revenue credited to the General fund during fiscal 2000 totaled \$311,656, which included \$57,534 assigned from other funds of the District. Interest revenue credited to the Building fund during fiscal 2000 totaled \$4,397, which included \$1,578 assigned from other funds of the District.

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

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepayments**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. 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 \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund  
State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Reimbursable Grants

General Fund  
School Bus Purchases  
Driver Education  
Vocational Education Travel/Subsidy

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Entitlements - (continued)

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services  
Goals 2000  
Teacher Development  
Summer Youth Employment  
Management Information Systems  
SchoolNet Professional Development  
Job Training Partnership Act  
Eisenhower Math and Science  
Title VI-B  
Title I  
Title VI  
Drug-Free School  
Preschool for the Handicapped  
Instructional Materials Subsidy

Reimbursable Grants - (continued)

Special Revenue Funds

Perkins Vocational  
Career Development

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to over 26% of the District's operating revenue during the 2000 fiscal year.

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.



**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other 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 debt service, prepayments, tax revenue unavailable for appropriation, budget stabilization, capital acquisition, and instructional materials. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State Statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District had no such transactions during the fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed. The District had no such transactions during the fiscal year.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no such transactions during the fiscal year.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Statutory Reserves**

The District is required by State law to set-aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

<u>Materials</u>	<u>Instructional Acquisition</u>	<u>Capital Stabilization</u>	<u>Budget Totals</u>	
Set-aside cash balance as of June 30, 1999	\$ 81,050	\$ 62,573	\$ 91,170	\$ 234,793
Current year set-aside requirement	190,583	190,583	63,528	444,694
Qualifying disbursements	<u>(23,403)</u>	<u>(116,977)</u>	<u>          </u>	<u>(140,380)</u>
Total	<u>248,230</u>	<u>136,179</u>	<u>154,698</u>	<u>539,107</u>
Cash balance carried forward to FY 2001	<u>\$248,230</u>	<u>\$ 136,179</u>	<u>\$154,698</u>	<u>\$ 539,107</u>

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for instructional materials	\$248,230
Amount restricted for budget stabilization	154,648
Amount restricted for capital acquisition	<u>136,179</u>
Total restricted assets	<u>\$539,107</u>

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, or private sources provided to Proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal 2000.

**P. Financial Reporting for Proprietary Funds**

The District's financial statements have been prepared 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 accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. N. for statutory reserves.

**R. Estimates**

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

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**S. Discounts, Premiums and Issuance Costs**

For Governmental Fund Types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

**T. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

1. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
JTPA	\$ 4,950
Title VI-B	14,369
EHA Preschool Grants	478
Miscellaneous Federal Grants	34,865
<u>Enterprise Funds</u>	
Food Service	11,470

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

**LOCKLAND CITY SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Legal Compliance**

1. The following funds' accounts had expenditures plus encumbrances in excess of appropriations, contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>General</u>	
Special Instruction	\$ 5,340
Vocational Instruction	14,307
Instructional Staff	64,040
Board of Education	397
Administration	214,692
Fiscal	28,352
Business	38
Operation and Maintenance	63,093
Transportation	16,240
Central	10,840
Facilities Acquisition	645
Transfers Out	54,401
 <u>Special Revenue Funds</u>	
<u>DPIA</u>	
Regular Instruction	658
Operation and Maintenance	260
<u>GOALS 2000</u>	
Regular Instruction	2,376
Instructional Staff	6,349
 <u>Debt Service Fund</u>	
Fiscal Support	10,128
Payment to refunded bond escrow agent	5,349,616

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values.

**LOCKLAND CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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;

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$2,966,759 and the bank balance was \$3,220,977 (both amounts exclude the payroll clearance account, but include \$3,000,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$200,000 was covered by federal deposit insurance.
2. \$3,020,977 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the 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 trust department or agent but not in the District's name. STAR Ohio and money-market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
Not Subject to Categorization:	
Money-market mutual funds	\$ 761,987
Investment in State	
Treasurer's Investment Pool	<u>2,327,271</u>
Total Investments	<u>\$3,089,258</u>

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,056,017	
Investments of the Cash		
Management Pool:		
Money-market mutual funds	(761,987)	\$ 761,987
State Treasurer's Investment Pool	<u>(2,327,271)</u>	<u>2,327,271</u>
GASB Statement No. 3	<u>\$ 2,966,759</u>	<u>\$3,089,258</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$(94,401)
<u>Special Revenue Funds</u>		
Drug-Free School Grant	\$ 1,227	
EHA Preschool Grant	1,716	
Miscellaneous Federal Grants	5,577	
<u>Enterprise Funds</u>		
Food Service	80,619	
Special Enterprises	<u>5,262</u>	
Total	<u>\$94,401</u>	<u>\$(94,401)</u>

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed at 50% of market value, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	<u>1999 Second-Half Collections</u>		<u>2000 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 48,598,970	40.95%	\$ 48,598,970	40.95%
Public Utility Personal	9,333,830	7.86%	9,333,830	7.86%
Tangible Personal Property	<u>60,735,000</u>	<u>51.19%</u>	<u>60,735,000</u>	<u>51.19%</u>
	<u>\$118,667,800</u>	<u>100.00%</u>	<u>\$118,667,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$46.90		\$46.90	
Debt Service	6.87		6.87	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 6 - PROPERTY TAXES - (Continued)**

The Hamilton County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which were measurable as of June 30, 2000. Although total property taxes receivable at year end are measurable, they are not (exclusive of advances) available and intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$700,000 in the General fund and \$110,000 in the Debt Service fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (tuition and student fees), intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$5,998,716
Due From Other Funds	1,578,474
Accrued Interest	70,645
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	837,064

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 8 - FIXED ASSETS**

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

	Balance <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2000</u>
Land/Improvement	\$ 217,515	\$ 39,630		\$ 257,145
Furniture/Equipment	799,697	60,942		860,639
Buildings	734,502	27,689		762,191
Vehicles	<u>101,349</u>	<u>          </u>	<u>          </u>	<u>101,349</u>
Total	<u>\$1,853,063</u>	<u>\$128,261</u>	<u>\$          0</u>	<u>\$1,981,324</u>

A summary of the Proprietary fund fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$132,482
Less: Accumulated Depreciation	<u>(99,130)</u>
Net Fixed Assets	<u>\$ 33,352</u>

**NOTE 9 - LONG-TERM DEBT**

1. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

The following is a description of the Lockland City School District energy conservation note outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Principal Outstanding 7/01/99	Principal Retired In Fiscal 2000	Principal Outstanding 06/30/00
Energy Conservation Note	4.05%	6/30/93	6/30/03	<u>\$40,000</u>	<u>\$(10,000)</u>	<u>\$30,000</u>
				<u>\$40,000</u>	<u>\$(10,000)</u>	<u>\$30,000</u>

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 9 - LONG-TERM DEBT - (Continued)**

2. Series 2000 General Obligation Refunding Bonds

On May 4, 2000, the District issued general obligation bonds (Series 2000 School Improvement Refunding Bonds) to advance refund the callable portion of the Series 1991 School Improvement General Obligation Bonds (aggregate principal \$6,500,000; average interest rate 7.368%). The \$5,179,107 issuance proceeds were used to purchase securities which were placed in an irrevocable trust which will provide resources for all future debt service payments on the refunded debt, which will be called for redemption on December 1, 2002, at a cost of 102% of par value, plus accrued interest. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the General Long-Term Obligations Account Group. The advance refunding reduced cash flow required for debt service on general obligation bonds by \$374,012 over the next 16 years, and resulted in a net present value savings of \$207,358, using an interest rate of 5.643% from date of delivery.

The refunding issue is comprised of both current interest bonds, par value \$4,700,000, and capital appreciation bonds, par value \$1,050,000. The average interest rate on the current interest bonds is 4.95%. The capital appreciation bonds mature on December 1, 2008 (effective interest 13.09%), December 1, 2009 (effective interest 13.09%) and December 1, 2010 (effective interest 13.09%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the General Long-Term Obligations Account Group at June 30, 2000 was \$304,999. Total accreted interest of \$6,516 has been included in the General Long-Term Obligations Account Group at June 30, 2000. The current interest bonds maturing on or after June 1, 2010, are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
June 1, 2010 through November 30, 2011	101% of par
December 1, 2011 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2015.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 9 - LONG-TERM DEBT - (Continued)**

C. Principal and interest requirements to retire general obligation bonds and energy conservation notes outstanding at June 30, 2000 are as follows:

Fiscal Year Ending June 30	Current Interest General Obligation Bonds	Capital Appreciation General Obligation Bonds	Energy Conservation Notes	Total
2001	\$ 616,552		\$11,238	\$ 627,790
2002	702,688		10,825	713,513
2003	581,887		10,413	592,300
2004	563,088			563,088
2005	543,987			543,987
2006 - 2010	1,662,156	\$ 720,000		2,382,156
2011 - 2015	1,453,775	330,000		1,783,775
2016 - 2020	<u>236,268</u>			<u>236,268</u>
Total	6,360,401	1,050,000	32,476	7,442,877
Less: Interest	<u>(1,660,401)</u>	<u>(745,001)</u>	<u>(2,476)</u>	<u>(2,407,878)</u>
Total	<u>\$ 4,700,000</u>	<u>\$ 304,999</u>	<u>\$30,000</u>	<u>\$ 5,034,999</u>

D. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	Balance July 1, 1999	Additions	(Deletions)	Balance June 30, 2000
<u>General Obligation Bonds:</u>				
General Obligation Bonds	\$5,315,000		\$(5,315,000)	\$ 0
Energy Conservation Note 4.05%, 06/30/03 maturity	40,000		(10,000)	30,000
Series 2000, Current Interest Refunding Bonds 5.537%, 12/01/23 maturity		\$4,700,000		\$4,700,000
Series 2000, Capital Appreciation Refunding Bonds 13.09% (average effective) 12/01/08, 12/01/09 and 12/01/10 maturity		\$304,999		\$304,999

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 9 - LONG-TERM DEBT - (Continued)**

	Balance <u>July 1, 1999</u>	<u>Additions</u> ( <u>Deletions</u> )	Balance <u>June 30, 2000</u>
Series 2000, Capital Appreciation Refunding Bonds			
Accreted Interest		\$ 6,516	\$ 6,516
Total General Obligation Bonds	<u>5,355,000</u>	<u>5,011,515</u> ( <u>5,325,000</u> )	<u>5,041,515</u>
<u>Other Obligations:</u>			
Compensated Absences	478,261	(32,008)	446,253
Pension Obligation Payable	<u>2,286</u>	<u>1,547</u> ( <u>2,286</u> )	<u>1,547</u>
Total Other Obligations	<u>480,547</u>	<u>1,547</u> ( <u>34,294</u> )	<u>447,800</u>
Total General Long-Term Liabilities	<u>\$5,835,547</u>	<u>\$5,013,062</u> ( <u>\$5,359,294</u> )	<u>\$5,489,315</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school 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 code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$6,184,141 (including available funds of \$515,554) an unvoted debt margin of \$118,668, and an unvoted energy conservation debt margin of \$1,098,010.

**NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Service, Uniform School Supplies, and the Latchkey program. 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, 2000.



**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey Program</u>	<u>Total</u>
Operating revenue	\$ 115,036	\$ 1,874	\$ 69,813	\$186,723
Depreciation	2,963		1,769	4,732
Operating income (loss)	(158,161)	1,874	(18,061)	(174,348)
Operating grants	101,694			101,694
Transfers In	80,619		5,262	85,881
Net income	34,696	1,874	(12,799)	23,771
Net working capital	(22,313)	18,043	56,070	51,800
Total assets	21,430	18,043	66,530	106,003
Long-term liabilities				
payable from fund revenues	12,096			12,096
Contributed capital	13,783			13,783
Total equity	(11,470)	18,043	65,205	71,778

**NOTE 11 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2000, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded these coverages in any of the past three fiscal years.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 11 - RISK MANAGEMENT (Continued)**

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$157,072, \$122,152, and \$129,944, respectively; 87 percent has been contributed for fiscal year 2000, and 100 percent for 1999 and 1998.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The amount of \$19,866, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$518,004, \$402,923, and \$457,788, respectively; 87 percent has been contributed for fiscal year 2000, and 100 percent for fiscal year 1999 and 1998. \$62,907, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The Board's liability is 6.2 percent of wages paid.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$279,230 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 2000, 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.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$96,239 during the 2000 fiscal year.

**NOTE 14 - 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.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

**Excess (Deficiency) of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Governmental Fund Types Debt Service <u>Fund</u>	Capital Projects <u>Funds</u>
Budget Basis	\$ (139,913)	\$ (86,797)	\$ 1,712,497	\$4,398
Net Adjustment for Revenue Accruals	1,360,907	4,690	(1,603,346)	(1)
Net Adjustment for Expenditure Accruals	(297,529)	(23,272)	(145,885)	0
Net Adjustment for Other Financing Sources/(Uses)	<u>475</u>	<u>(1)</u>	<u>147,365</u>	<u>0</u>
GAAP Basis	<u>\$ 923,940</u>	<u>\$(105,380)</u>	<u>\$ 110,631</u>	<u>\$4,397</u>

**NOTE 15 - CONTINGENCIES**

**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, 2000.

**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

**NOTE 15 – CONTINGENCIES (Continued)**

**B. Litigation**

The District is involved in no material litigation either as a plaintiff or defendant.

1. School Funding Decision/Subsequent Event

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, 2000, the District received \$1,313,816 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School 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.

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**LOCKLAND CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	03-PU	10.550	\$0	\$10,544	\$0	\$10,544
School Breakfast Program	05-PU	10.553	\$12,945		\$12,945	
National School Lunch Program	04-PU	10.555	<u>82,915</u>	<u>0</u>	<u>82,915</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u><b>95,860</b></u>	<u><b>10,544</b></u>	<u><b>95,860</b></u>	<u><b>10,544</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	50,648	0	28,710	0
Special Education - Preschool Grant	PG-S1	84.173	<u>2,225</u>	<u>0</u>	<u>2,703</u>	<u>0</u>
Total Special Education Cluster			<u><b>52,873</b></u>	<u><b>0</b></u>	<u><b>31,413</b></u>	<u><b>0</b></u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	150,357	0	162,087	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1	84.186	8,016	0	382	0
Classroom Size Reduction	CR-S1	84.340	21,646		21,646	
Goals 2000 State and Local Education Systemic Improvement	G2-S2	84.276	89,578	0	121,388	0
Federal, State and Local Partnerships for Educational Improvement	C2-S1	84.298	1,645	0	526	0
Eisenhower Professional Development Grant	MS-S1	84.281	1,230	0	657	0
<i>Passed through Great Oaks Institute of Technology and Career Development:</i>						
Vocational Education - Basic Grants to State		84.048	<u>1,852</u>	<u>0</u>	<u>1,732</u>	<u>0</u>
<b>Total Department of Education</b>			<u><b>274,324</b></u>	<u><b>0</b></u>	<u><b>308,418</b></u>	<u><b>0</b></u>
<b>U.S. DEPARTMENT OF LABOR</b>						
<i>Passed through the Hamilton County Employment Training Agency:</i>						
Job Training Partnership Act		17.998	<u>3,436</u>	<u>0</u>	<u>3,410</u>	<u>0</u>
<b>Total Department of Labor</b>			<u><b>3,436</b></u>	<u><b>0</b></u>	<u><b>3,410</b></u>	<u><b>0</b></u>
<b>Totals</b>			<u><b>\$426,493</b></u>	<u><b>\$10,544</b></u>	<u><b>\$439,101</b></u>	<u><b>\$10,544</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Board of Education  
Lockland City School District  
210 North Cooper Avenue  
Cincinnati, Ohio 45215

We have audited the financial statements of Lockland City School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2000-10431-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 15, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition described in the accompanying schedule of findings as item 2000-10431-001.

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

Lockland City School District  
Hamilton County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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 the District in separate letter dated June 15, 2001.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

June 15, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Lockland City School District  
210 North Cooper Avenue  
Cincinnati, Ohio 45215

**Compliance**

We have audited the compliance of Lockland City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

June 15, 2001

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**June 30, 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title 1 - CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**June 30, 2000**

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

**FINDING NUMBER 2000-00431-001**

**Material Noncompliance/ Internal Control Reportable Condition**

Ohio Rev. Code, Section 117.38, states GAAP-basis entities must file annual reports within 150 days of the fiscal year end. The report must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The District did not file the annual report within the prescribed time (was not filed until May 2001) and they did not publish notice in a local newspaper that the report was available for public inspection.

Monitoring and application controls were not in place to enable management to provide timely GAAP basis financial statements. Since the GAAP reports were not available for audit on a timely basis, the issuance of this opinion on the financial statements was delayed until June 15, 2001.

Timely financial information is essential for management to assess and maintain the financial condition of the District. We recommend that the management keep files current and perform GAAP conversion work on a timely basis. This would give the District critical information for making decisions such as current year budgeting.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**LOCKLAND 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  
AUGUST 9, 2001**