



**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lockland City School District
Hamilton County
210 North Cooper Avenue
Cincinnati, Ohio 45215

To the Board of Education:

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, 2002, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the District's accounting records, we are unable to obtain sufficient documentation regarding the amounts reported as fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type at June 30, 2002 (stated at \$2,663,038 and 253,315 respectively) or the amount of Proprietary Fund Type depreciation expense for the year then ended.

In our opinion, except that we express no opinion on the amounts shown in the General Fixed Assets Account Group, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain records concerning Proprietary Fund Type fixed assets, 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, as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2003 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.

The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

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LOCKLAND CITY SCHOOL DISTRICT, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits:				
Assets:				
Equity in pooled cash and investments	\$4,020,505	\$248,098	\$441,903	\$9,751
Receivables (net of allowances for uncollectibles)				
Taxes	3,563,814	-	674,153	-
Accounts	2,381	1,512	-	-
Intergovernmental - state and local	1,061	66,139	-	-
Interfund	12,791			
Inventory held for resale	-	-	-	-
Materials and supplies inventory	-	-	-	-
Restricted Assets:				
Equity in pooled cash and cash equivalents	503,397	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Other debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$8,103,949	\$315,749	\$1,116,056	\$9,751

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust and Agency			
\$ 71,252	\$143,771	\$ -	\$ -	\$4,935,280
-	-	-	-	4,237,967
5,080	10	-	-	8,983
33,276	-	-	-	100,476
				12,791
982	-	-	-	982
824	-	-	-	824
-	-	-	-	503,397
121,779	-	2,663,038	-	2,784,817
-	-	-	621,903	621,903
-	-	-	4,252,412	4,252,412
<u>\$ 233,193</u>	<u>\$143,781</u>	<u>\$2,663,038</u>	<u>\$4,874,315</u>	<u>\$17,459,832</u>

continued

LOCKLAND CITY SCHOOL DISTRICT, OHIO
 COMBINED BALANCE SHEET-continued
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, equity, and other credits:				
Liabilities:				
Accounts payable	\$ 48,693	\$ 15,084	\$ -	\$ -
Accrued wages and benefits	478,922	44,943	-	-
Interfund Payable		7,577		
Due to student groups	-	-	-	-
Deferred revenue	2,578,814	29,034	494,153	-
Compensated absences payable	-	-	-	-
General obligation bonds payable	-	-	-	-
General obligation notes payable	-	-	-	-
Total liabilities	<u>3,106,429</u>	<u>96,638</u>	<u>494,153</u>	<u>-</u>
Fund equity and other credits:				
Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund Balances:				
Reserved for encumbrances	331,720	25,439	-	-
Reserved for property taxes	985,000	-	180,000	-
Reserved for textbooks	376,727	-	-	-
Reserved for capital improvements	73,958	-	-	-
Reserved for budget stabilization	52,082	-	-	-
Reserved for bus purchases	630	-	-	-
Unreserved, designated	68,428	-	-	-
Unreserved, undesignated	3,108,975	193,672	441,903	9,751
Total fund equity and other credits	<u>4,997,520</u>	<u>219,111</u>	<u>621,903</u>	<u>9,751</u>
Total liabilities, fund equity and other credits	<u>\$ 8,103,949</u>	<u>\$ 315,749</u>	<u>\$ 1,116,056</u>	<u>\$ 9,751</u>

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		Totals (Memorandum Only)
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt			
\$ 730	\$ 944	\$ -	\$ -	\$ 65,451		
26,114	-	-	-	549,979		
5,214				12,791		
-	14,730	-	-	14,730		
982	-	-	-	3,102,983		
18,432	-	-	640,908	659,340		
-	-	-	4,223,407	4,223,407		
-	-	-	10,000	10,000		
51,472	15,674	-	4,874,315	8,638,681		
13,783	-	-	-	13,783		
-	-	2,663,038	-	2,663,038		
167,938	-	-	-	167,938		
-	7,890	-	-	365,049		
-	-	-	-	1,165,000		
-	-	-	-	376,727		
-	-	-	-	73,958		
-	-	-	-	52,082		
-	-	-	-	630		
-	-	-	-	68,428		
-	120,217	-	-	3,874,518		
181,721	128,107	2,663,038	-	8,821,151		
\$ 233,193	\$ 143,781	\$ 2,663,038	\$ 4,874,315	\$ 17,459,832		

LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
From local sources:				
Taxes	\$ 4,359,997	\$ -	\$ 686,433	\$ -
Tuition	167,723	-	-	-
Earnings on investments	181,553	-	-	1
Extracurricular activities	-	45,463	-	-
Other local revenues	92,505	9,090	-	-
Intergovernmental	1,340,203	726,696	44,002	-
Total revenues	6,141,981	781,249	730,435	1
Expenditures:				
Current:				
Instruction:				
Regular	2,853,755	262,607	-	-
Special	451,471	59,190	-	-
Vocational	75,953	-	-	-
Support services:				
Pupil	449,394	33,839	-	-
Instructional staff	565,080	253,286	-	1,505
General administration	39,093	-	-	-
School administration	852,937	-	-	-
Fiscal and business	357,519	-	10,209	-
Operations and maintenance	1,347,695	17,564	-	580
Pupil transportation	92,638	-	-	-
Central	22,221	-	-	-
Non-Instructional services	-	6,293	-	-
Extracurricular activities	191,969	135,221	-	-
Capital outlay	43,678	-	-	-
Debt service:				
Principal retirement	10,000	-	500,000	-
Interest and fiscal charges	648	-	202,688	-
Total expenditures	7,354,051	768,000	712,897	2,085
Excess (deficiency) of revenues over (under) expenditures	(1,212,070)	13,249	17,538	(2,084)

FIDUCIARY		
FUND TYPES		Totals
Expendable		(Memorandum
Trust		only)
\$ -	\$	5,046,430
-		167,723
2,985		184,539
-		45,463
2,101		103,696
-		2,110,901
<u>5,086</u>		<u>7,658,752</u>

-	3,116,362
-	510,661
-	75,953

-	483,233
620	820,491
250	39,343
-	852,937
-	367,728
-	1,365,839
-	92,638
-	22,221
-	6,293
948	328,138
-	43,678

-	510,000
-	203,336
<u>1,818</u>	<u>8,838,851</u>

3,268	(1,180,099)
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(continued)

LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND AND EXPENDABLE TRUST FUND TYPES-continued
FOR THE YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Other financing sources (uses):				
Operating transfers in	\$ -	\$ 54,802	\$ -	\$ -
Operating transfers (out)	(213,602)	-	-	-
Other financing sources	-	11,275	-	-
Proceeds of sale of fixed assets	8,592	-	-	-
Total other financing sources (uses)	(205,010)	66,077	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,417,080)	79,326	17,538	(2,084)
Fund balances, July 1 as restated	6,414,600	139,785	604,365	11,835
Fund balances, June 30	\$ 4,997,520	\$ 219,111	\$ 621,903	\$ 9,751

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

FIDUCIARY			
FUND TYPES		Totals	
Expendable	Trust	(Memorandum only)	
\$	-	\$	54,802
	-		(213,602)
	-		11,275
	-		8,592
	-		(138,933)
	3,268		(1,319,032)
	124,839		7,295,424
\$	128,107	\$	5,976,392

LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund			Special Revenue Fund			Debt Service Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:									
Intergovernmental	\$1,241,400	\$1,344,447	\$ 103,047	\$ 814,699	\$ 689,760	\$ (124,939)	\$ 27,000	\$ 44,002	\$ 17,002
Earnings on investments	175,000	181,553	6,553	-	-	-	-	-	-
Tuition	160,600	167,723	7,123	-	-	-	-	-	-
Rent	6,000	9,525	3,525	2,000	2,247	247	-	-	-
Extracurricular activities	-	-	-	40,090	44,846	4,756	-	-	-
Taxes	4,630,000	4,633,874	3,874	-	-	-	515,000	678,813	163,813
Other miscellaneous revenue	500	62,868	62,368	4,100	4,677	577	-	-	-
Total revenues	<u>6,213,500</u>	<u>6,399,990</u>	<u>186,490</u>	<u>860,889</u>	<u>741,530</u>	<u>(119,359)</u>	<u>542,000</u>	<u>722,815</u>	<u>180,815</u>
Expenditures:									
Current:									
Instruction:									
Regular	3,165,488	3,025,973	139,515	397,152	302,162	94,990	-	-	-
Special	496,663	471,705	24,958	85,220	59,585	25,635	-	-	-
Vocational	80,028	75,729	4,299	2,000	-	2,000	-	-	-
Support services:									
Pupil	511,896	473,186	38,710	132,637	73,966	58,671	-	-	-
Instructional staff	660,407	611,108	49,299	309,869	269,905	39,964	-	-	-
General administration	60,140	51,861	8,279	-	-	-	-	-	-
School administration	927,489	849,716	77,773	-	-	-	-	-	-
Fiscal	301,468	293,174	8,294	-	-	-	10,500	10,209	291
Business	78,918	78,094	824	-	-	-	-	-	-
Operations and maintenance	1,581,312	1,520,106	61,206	31,311	17,564	13,747	-	-	-
Pupil transportation	105,006	94,642	10,364	-	-	-	-	-	-
Central	22,888	22,221	667	-	-	-	-	-	-
Non-instructional services	-	-	-	10,000	8,595	1,405	-	-	-
Extracurricular activities	224,186	195,243	28,943	143,959	137,146	6,813	-	-	-
Capital outlay	45,000	43,678	1,322	-	-	-	-	-	-
Debt service:									
Principal retirement	10,000	10,000	-	-	-	-	500,000	500,000	-
Interest and fiscal charges	1,100	648	452	-	-	-	202,688	202,688	-
Total expenditures	<u>8,271,989</u>	<u>7,817,084</u>	<u>454,905</u>	<u>1,112,148</u>	<u>868,923</u>	<u>243,225</u>	<u>713,188</u>	<u>712,897</u>	<u>291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,058,489)</u>	<u>(1,417,094)</u>	<u>641,395</u>	<u>(251,259)</u>	<u>(127,393)</u>	<u>123,866</u>	<u>(171,188)</u>	<u>9,918</u>	<u>181,106</u>
Other financing sources (uses):									
Operating transfers in	\$ 37,000	\$ 37,460	\$ 460	\$ 56,302	\$ 56,302	\$ -	\$ -	\$ -	\$ -
Advances in	-	-	-	-	7,577	7,577	-	-	-
Proceeds of sale of fixed assets	300	8,592	8,292	-	-	-	-	-	-
Refund of prior year expenditures	19,000	19,443	443	1,650	2,165	515	-	-	-
Other financing sources	25	10	(15)	11,275	11,275	-	-	-	-
Operating transfers (out)	(256,703)	(251,062)	5,641	(1,500)	(1,500)	-	-	-	-
Refund of prior year receipts	-	-	-	(544)	(544)	-	-	-	-
Advances (out)	(12,800)	(12,791)	(9)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(213,178)</u>	<u>(198,348)</u>	<u>14,812</u>	<u>67,183</u>	<u>75,275</u>	<u>8,092</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,271,667)</u>	<u>(1,615,442)</u>	<u>656,207</u>	<u>(184,076)</u>	<u>(52,118)</u>	<u>131,958</u>	<u>(171,188)</u>	<u>9,918</u>	<u>181,106</u>
Fund balances, July 1	5,778,600	5,778,600	-	261,610	261,610	-	431,984	431,984	-
Fund balances, June 30	<u>\$ 3,506,933</u>	<u>\$ 4,163,158</u>	<u>\$ 656,207</u>	<u>\$77,534</u>	<u>\$209,492</u>	<u>\$131,958</u>	<u>\$260,796</u>	<u>\$441,902</u>	<u>\$181,106</u>

continued

LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - continued
ALL GOVERNMENTAL FUND AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Capital Project Funds			Expendable Trust Funds			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:									
From local sources:									
Intergovernmental	\$ 9,915	\$ -	\$ (9,915)	\$ 2,750	\$ 2,985	\$ 235	\$2,095,764	\$2,081,194	(\$14,570)
Earnings on investments	1	1	-	-	-	-	175,001	181,554	6,553
Tuition	-	-	-	-	-	-	160,600	167,723	7,123
Rent	-	-	-	-	-	-	8,000	11,772	3,772
Extracurricular activities	-	-	-	500	500	-	40,590	45,346	4,756
Taxes	-	-	-	-	-	-	5,145,000	5,312,687	167,687
Other miscellaneous revenue	-	-	-	-	-	-	4,600	67,545	62,945
Total revenues	9,916	1	(9,915)	3,250	3,485	235	7,629,555	7,867,821	238,266
Expenditures:									
Current:									
Instruction:									
Regular	-	-	-	-	-	-	\$3,562,640	\$3,328,135	\$234,505
Special	-	-	-	-	-	-	581,883	531,290	50,593
Vocational	-	-	-	-	-	-	82,028	75,729	6,299
Support services:									
Pupil	-	-	-	-	-	-	644,533	547,152	97,381
Instructional staff	31,297	11,630	19,667	20,700	641	20,059	1,022,273	893,284	128,989
General administration	-	-	-	250	250	-	60,390	52,111	8,279
School administration	-	-	-	-	-	-	927,489	849,716	77,773
Fiscal	-	-	-	-	-	-	311,968	303,383	8,585
Business	-	-	-	-	-	-	78,918	78,094	824
Operations and maintenance	580	580	-	-	-	-	1,613,203	1,538,250	74,953
Pupil transportation	-	-	-	-	-	-	105,006	94,642	10,364
Central	-	-	-	-	-	-	22,888	22,221	667
Non-instructional services	-	-	-	-	-	-	10,000	8,595	1,405
Extracurricular activities	-	-	-	3,240	948	2,292	371,385	333,337	38,048
Capital outlay	-	-	-	-	-	-	45,000	43,678	1,322
Debt service:									
Principal retirement	-	-	-	-	-	-	510,000	510,000	-
Interest and fiscal charges	-	-	-	-	-	-	203,788	203,336	452
Total expenditures	31,877	12,210	19,667	24,190	1,839	22,351	10,153,392	9,412,953	740,439
Excess (deficiency) of revenues over (under) expenditures	(21,961)	(12,209)	9,752	(20,940)	1,646	22,586	(2,523,837)	(1,545,132)	978,705
Other financing sources (uses):									
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,302	\$ 93,762	\$ 460
Advances in	-	-	-	-	-	-	-	7,577	7,577
Proceeds of sale of fixed assets	-	-	-	-	-	-	300	8,592	8,292
Refund of prior year expenditures	-	-	-	-	1,601	1,601	20,650	23,209	2,559
Other financing sources	-	-	-	-	-	-	11,300	11,285	(15)
Operating transfers (out)	-	-	-	-	-	-	(258,203)	(252,562)	5,641
Refund of prior year receipts	-	-	-	-	-	-	(544)	(544)	-
Advances (out)	-	-	-	-	-	-	(12,800)	(12,791)	(9)
Total other financing sources (uses)	-	-	-	-	1,601	1,601	(145,995)	(121,472)	24,523
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(21,961)	(12,209)	9,752	(20,940)	3,247	24,187	(2,669,832)	(1,666,604)	1,003,228
Fund balances, July 1	21,961	21,961	-	124,840	124,840	-	6,618,995	6,618,995	-
Fund balances, June 30	\$0	\$9,752	\$9,752	\$103,900	\$128,087	\$ 24,187	\$3,949,163	\$4,952,391	\$ 1,003,228

The notes to the 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, 2002

	<u>Enterprise</u>
Operating revenues:	
Tuition	\$ 15,399
Sales	43,057
Charges for Services	52,500
Other operating revenues	480
Total operating revenues	<u>111,436</u>
Operating expenses:	
Salaries and wages	160,197
Fringe benefits	56,794
Contract services	6,625
Supplies	108,360
Depreciation	28,177
Other operating expenses	283
Total operating expenses	<u>360,436</u>
Operating loss	(249,000)
Nonoperating revenues:	
Donated commodities	5,153
Operating grants	165,781
Total nonoperating revenues	<u>170,934</u>
Loss before transfers in	(78,066)
Operating transfers in	<u>131,000</u>
Net income	52,934
Retained earnings, July 1	<u>128,787</u>
Retained earnings, June 30	<u><u>\$181,721</u></u>

The notes to the 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, 2002

	<u>Enterprise</u>
Increase (Decrease) in Cash Equivalents:	
Cash flows from operating activities:	
Cash received from sales	\$42,260
Cash received from other revenue	67,891
Cash payments for personal services	(216,561)
Cash payments for goods and services	(111,064)
Cash payments for other expenses	(283)
Net cash used by operating activities	<u>(217,757)</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	136,215
Cash received from operating grants	132,949
Net cash provided by noncapital financing activities	<u>269,164</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(91,979)
Net cash used for capital and related financing activities	<u>(91,979)</u>
Net decrease in cash and cash equivalents	(40,572)
Cash and cash equivalents, July 1	111,824
Cash and cash equivalents, June 30	<u>\$ 71,252</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (249,000)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	28,177
Donated commodities used during year	5,153
Changes in assets and liabilities:	
(Increase) in accounts receivables	(981)
Decrease in inventories	372
(Increase) in intergovernmental receivable	(306)
(Increase) in inventory held for resale	(160)
(Decrease) in accounts payable	(1,604)
(Decrease) in accrued wages	(5,495)
Increase in deferred revenue	160
Increase in compensated absences payable	5,927
Net cash used by operating activities	<u>\$ (217,757)</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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 Villages of Lockland and Arlington Heights 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 587th largest by enrollment among the 704 public and community school districts in the state. It currently operates one elementary school and one comprehensive high school. The District employs 41 non-certified and 75 certified (including administrative) full-time and part-time employees to provide services to approximately 656 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.

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, 2002**

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.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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 Fund - Capital projects fund is 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 that 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.

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:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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

General Long Term Debt Account Group - This account group 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. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year, in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 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, 2002**

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, 2002 are reflected as a reservation of fund balance for future appropriations. Law prohibits the District 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 potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources 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 commodity revenue. Unused donated commodities are reported as deferred revenues.

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 2002 is as follows:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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 the District Treasurer identifies decreases in revenue. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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 that reallocated, increased, or decreased the original appropriated amounts. The Board legally enacted all supplemental appropriations during fiscal 2002 in the following amounts:

General fund	\$592,680
Special revenue funds	319,201
Debt service fund	10,500
Capital projects fund	19,102
Enterprise funds	112,198
Trust funds	36,799

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.

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 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), money-market mutual funds, and certificates of deposit.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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, 2002.

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 during fiscal 2002 totaled \$184,539.

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. The amount of unused commodities are reported as a deferred revenue since title does not pass to the District until the commodities are used.

G. 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 recognized for assets in the General Fixed Assets Account Group. The

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

District has not included infrastructure in the General Fixed Assets Account Group.

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

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

H. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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 Debt 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.

I. Long Term Debt

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 Debt 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, and long-term loans are reported as a liability of the General Long Term Debt Account Group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity that is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for property taxes, encumbrances, and set-asides required by state law. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds. Fund balances are also reserved for those property taxes recognized as revenue because they were available for advance by the county auditor. While these property taxes meet the criteria for revenue recognition, they were not available for appropriation by the District.

K. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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 that provides a service records revenue, and the fund that 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 resources available to be spent. The District had no such transactions during the fiscal year.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

L. 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, 2002, the reserve activity was as follows:

	Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 2001	\$375,911	\$298,856	\$52,082	\$ 726,849
Current year set-aside requirement	81,251	81,251	0	162,502
Qualifying disbursements	<u>(80,435)</u>	<u>(306,149)</u>	<u>0</u>	<u>(386,584)</u>
Cash balance carried forward to FY 2003	<u>\$376,727</u>	<u>\$ 73,958</u>	<u>\$ 52,082</u>	<u>\$502,767</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for instructional materials	\$376,727
Amount restricted for bus purchases	630
Amount restricted for budget stabilization	52,082
Amount restricted for capital acquisition	<u>73,958</u>
Total restricted assets	<u>\$503,397</u>

Effective April 10, 2001, Amended Substitute Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the board can eliminate the reserve in accordance with the act. As of June 30, 2002, the board had acted on the Senate bill requirements to keep the reserve balance. The non-BWC (Bureau of Workers Compensation) portion of monies designated for set-aside totaling \$68,428 is represented in the general fund. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

M. Contributed Capital

Contributed capital on the balance sheet represents resources from other funds, other governments, or private sources provided to proprietary funds before July 1, 2000, 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 2002.

N. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

O. Restricted Assets

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. Disclosure of this information is required by state statute.

P. 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.

Q. 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

Ohio Revised Code Section 5705.41(D) requires that the District certify that funds are available prior to committing District funds. The District did not always encumber funds prior to commitment during fiscal year 2002.

The following funds had deficit fund balances throughout the year:

006 Food Service
572 Title I
200 Student Activity
584 Drug Free Schools
599 Goals 2000 Grant
516 Title VI-B
573 Title VI
463 Alternative School

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active Deposits - 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Deposits - 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 - Interim deposits are deposits of interim monies. Interim monies are those monies that 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;
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;

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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.

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 (\$76,046) and the bank balance was \$97,292 of which all was covered by federal deposit insurance (both amounts exclude the payroll clearance account). At year-end the District had \$3,696 of petty cash on hand.

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 counter party'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 counter party or by its trust department or agent but not in the District's name. STAR Ohio

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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

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	\$ 823,004
Investment in State Treasurer's Investment Pool	<u>4,691,719</u>
 Total Investments	 <u>\$5,514,723</u>

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	\$ 5,438,677	
Investments of the Cash Management Pool:		
Money-market mutual funds	(823,004)	\$ 823,004
State Treasurer's Investment Pool	<u>(4,691,719)</u>	<u>4,691,719</u>
 GASB statement No. 3	 <u>\$ (76,046)</u>	 <u>\$5,514,723</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (213,602)
Special Revenue Funds		
Athletic Fund	54,802	
Enterprise Funds		
Food Service	131,000	-
Agency Funds	27,800	-
Total	<u>\$ 213,602</u>	<u>\$ (213,602)</u>

Interfund balances at year end consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 12,791	
Special Revenue Funds		
Title VI-B		2,104
Title VI		5,473
Enterprise Funds		
Food Service		5,214
Total	<u>\$ 12,791</u>	<u>\$ 12,791</u>

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES (continued)

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 that would otherwise have been collected.

The assessed values upon which the fiscal year 2002 taxes were collected are as follows:

	2001 Second-Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$48,598,970	45.26%	\$60,563,100	58.15%
Public Utility Personal	9,333,830	8.69%	5,247,820	5.04%
Tangible Personal Property	49,441,320	46.05%	38,345,250	36.82%
	<u>\$107,374,120</u>	<u>100.00%</u>	<u>\$104,156,170</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation				
Operations	\$ 46.90		\$ 32.09	
Debt Service	5.60		5.00	

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.

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 represents delinquent taxes outstanding and real property, personal property and public utility taxes that were measurable as of June 30, 2002. 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, 2002, are reflected as a reservation of fund balance for future appropriations. Law prohibits the District from appropriating this revenue in accordance with ORC Section 5705.35,

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES (continued)

since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$985,000 in the general fund and \$180,000 in the debt service fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, 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>General Fund</u>		
Taxes - Current & Delinquent	\$3,563,814	
<u>Debt Service Fund</u>		
Taxes - Current & Delinquent	674,153	
<u>Special Revenue</u>		
Intergovernmental	66,139	
<u>Enterprise</u>		
Intergovernmental	33,276	

NOTE 8 - FIXED ASSETS

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

	<u>Balance July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2001</u>
Land/Improvement	\$ 418,309	\$ -	\$ -	\$ 418,309
Furniture/Equipment	1,003,787	318,181	-	1,321,968
Buildings	811,496	-	-	811,496
Vehicles	<u>105,679</u>	<u>5,586</u>	-	<u>111,265</u>
Total	<u>\$ 2,339,271</u>	<u>\$ 323,767</u>	<u>\$ -</u>	<u>\$ 2,663,038</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 8 - FIXED ASSETS (continued)

A summary of the proprietary fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$253,315
Less: Accumulated Depreciation	<u>(131,536)</u>
Net Fixed Assets	<u>\$121,779</u>

NOTE 9 - LONG-TERM DEBT

A. Energy Conservation Notes

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 Debt Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the general 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, 2002:

Purpose	Interest Rates	Issue Date	Maturity Date	Outstanding 7/01/01	Retired In Fiscal 2002	Outstanding 06/30/02
Energy Conservation Note	4.05%	6/30/93	6/30/03	\$20,000	(\$10,000)	\$10,000

B. Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2002, \$4,270,000 of bonds outstanding are considered defeased.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 9 - LONG-TERM DEBT (continued)

C. Debt Service Requirements

Principal and interest requirements to retire general obligation bonds and energy conservation notes outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	Capital Appreciation General Obligation Bonds	Energy Conservation Notes	Total
2003	581,887		10,413	592,300
2004	563,088			563,088
2005	543,987			543,987
2006	524,688			524,688
2007 - 2010	1,137,468	\$ 720,000		1,857,468
2011 - 2015	1,453,775	330,000		1,783,775
2016 - 2020	236,268			236,268
Total Principal and Interest	5,041,161	1,050,000	10,413	6,101,574
Less: Interest	(1,216,161)	(745,001)	(413)	(1,961,575)
Total	<u>\$ 3,825,000</u>	<u>\$ 304,999</u>	<u>\$ 10,000</u>	<u>\$ 4,139,999</u>

D. Changes in Long Term Debt

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long Term Debt Account Group. Compensated absences will ultimately be paid from the fund from which the employee is paid.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 9 - LONG-TERM DEBT - (Continued)

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance June 30, 2002</u>
General Obligation Bonds:				
Energy Conservation Note 4.05%, 06/30/03 maturity	\$ 20,000		\$ (10,000)	\$ 10,000
Series 2000, Current Interest Refunding Bonds 5.537%, 12/01/23 maturity	4,325,000		(500,000)	3,825,000
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
Series 2000, Capital Appreciation Refunding Bonds Accreted Interest	6,516	86,892		93,408
Total General Obligation Bonds	<u>4,656,515</u>	<u>86,892</u>	<u>(510,000)</u>	<u>4,233,407</u>
Other Obligations:				
Compensated Absences	<u>427,875</u>	<u>213,033</u>	<u>-</u>	<u>640,908</u>
Total Other Obligations	427,875	213,033	-	640,908
Total General Long Term Liabilities	<u>\$ 5,084,390</u>	<u>\$ 299,925</u>	<u>\$ (510,000)</u>	<u>\$4,874,315</u>

The Series 2000 Refunding general obligation bonds consist of \$3,825,000 in current interest bonds and \$304,999 of capital appreciation bonds which were accreted \$86,892 in 2002. The carrying balance of the capital appreciation bonds at June 30, 2002 was \$398,407.

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district should 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, 2002 are a voted debt margin of \$9,374,055 (including available funds of \$5,237,540) an unvoted debt margin of \$104,156 and an unvoted energy conservation debt margin of \$937,406.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey Program</u>	<u>Total</u>
Operating revenue	\$ 42,847	\$ 191	\$ 68,398	\$ 111,436
Depreciation	6,614	-	21,563	28,177
Operating income (loss)	(279,515)	(184)	30,699	(249,000)
Operating Expenses (less depr.)	315,748	375	16,136	332,259
Operating grants	170,934	-	-	170,934
Transfers In	131,000	-	-	131,000
Net income	22,419	(184)	30,699	52,934
Net working capital	5,041	18,716	54,617	78,374
Total assets	73,045	18,716	141,432	233,193
Total liabilities	50,709	-	763	51,472
Total equity	22,336	18,716	140,668	181,720
Contributed capital	13,783	-	-	13,783

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 2002, the District purchased from Indiana 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 11 - RISK MANAGEMENT – (Continued)

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2002, 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 2002: 8.54 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, 2002, 2001, and 2000 were \$160,763, 143,172, and \$157,072, respectively; 87 percent has been contributed for fiscal year 2002 and 100 percent for 2002, and 2000. \$20,899, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS – (Continued)

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; 9.5 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, 2002, 2001 and 2000 were \$463,409, 440,992, \$518,004, respectively; 87 percent has been contributed for fiscal year 2002, and 100 percent for fiscal year 2001 and 2000. \$60,243, which represents the unpaid contribution for fiscal year 2002, 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 in lieu of SERS/STRS. The Board's liability is 6.2 percent of wages paid.

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 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$148,943 during the 2002 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

STRS pays health care benefits from the Health Care Reserve fund. The balance in the fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772 million and STRS had 102,132 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 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$98,065 during the 2002 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);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING (continued)

(budget basis) as opposed to a reservation of fund balance for governmental funds (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:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$ (1,615,442)	\$ (52,118)	\$ 9,918	\$ (12,209)
Net Adjustment for Revenue Accruals	(258,009)	39,719	7,620	1
Net Adjustment for Expenditure Accruals	102,290	62,315	-	10,124
Net Adjustment for Other Financing Sources/(Uses)	(6,662)	(9,198)	-	-
Encumbrances	360,743	38,608	-	-
GAAP Basis	\$ (1,417,080)	\$ 79,326	\$ 17,538	\$ (2,084)

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 are 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, 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 15 – CONTINGENCIES (continued)

B. Litigation

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

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$5,153	\$0	\$5,239
School Breakfast Program	05-PU	10.553	23,462	0	23,462	0
National School Lunch Program	LL-P1 LL-P4	10.555	5,113 <u>97,245</u>	0 <u>0</u>	5,113 <u>97,245</u>	0 <u>0</u>
Total			<u>102,358</u>	<u>0</u>	<u>102,358</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>125,820</u>	<u>5,153</u>	<u>125,820</u>	<u>5,239</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	18,090 <u>45,708</u>	0 <u>0</u>	33,939 <u>47,812</u>	0 <u>0</u>
Total			<u>63,798</u>	<u>0</u>	<u>81,751</u>	<u>0</u>
Special Education - Preschool Grant	PG-S1	84.173	<u>2,339</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Special Education Cluster			<u>66,137</u>	<u>0</u>	<u>81,751</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	129,967	0	115,358	0
Goals 2000	G2-S9	84.276	10,000	0	50,326	0
Eisenhower Professional Development Grant	MS-S1	84.281	4,176	0	90	0
Innovative Educational Program Strategies (Title VI)	C2-S1	84.298	1,037	0	7,154	0
Class Size Reduction	CR-S1	84.340	21,886	0	22,852	0
Drug-Free Schools Grant	DR-S1	84.186	5,079 <u>6,588</u> <u>11,667</u>	0 <u>0</u> <u>0</u>	6,882 <u>6,588</u> <u>13,470</u>	0 <u>0</u> <u>0</u>
<i>Passed Through Great Oaks Institute of Technology and Career Development:</i>						
Vocational Education - Basic Grants to State	N/A	84.048	<u>1,209</u>	<u>0</u>	<u>1,927</u>	<u>0</u>
Total U.S. Department of Education			<u>246,079</u>	<u>0</u>	<u>292,928</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mentally Retarded and and Developmental Disabilities:</i>						
Medical Assistance Program Medicaid Title XIX	N/A	93.778	<u>18,488</u>	<u>0</u>	<u>18,488</u>	<u>0</u>
Total U.S. Department of Human Services			<u>18,488</u>	<u>0</u>	<u>18,488</u>	<u>0</u>
Totals			<u>\$390,387</u>	<u>\$5,153</u>	<u>\$437,236</u>	<u>\$5,239</u>

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

**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2002**

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, 2002, 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.



Auditor of State Betty Montgomery

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

Lockland City School District
Hamilton County
210 North Cooper Avenue
Cincinnati, Ohio 45215

To the Board of Education:

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, 2002, and have issued our report thereon dated March 20, 2003, on wherein we expressed no opinion on the General Fixed Asset Account Group and in which we qualified wherein we noted there was inadequate documentation to support the Proprietary Fund Type fixed assets. Except as discussed in the preceding sentence, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10431-001 and 2002-10431-002. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 28, 2003.

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 reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in our judgment, 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. Reportable conditions are described in the accompanying schedule of findings as items 2002-10431-001 and 2002-10431-003.

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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe finding 2002-10431-003 is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated April 28, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lockland City School District
Hamilton County
210 North Cooper Avenue
Cincinnati, Ohio 45215

To the Board of Education:

Compliance

We have audited the compliance of the 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 are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are 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 each of its major federal programs 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 Lockland City School District, Hamilton County, (the District), complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

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.

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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, the 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 28, 2003

**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FISCAL YEAR END JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified/Qualified/Disclaimer
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Distribution CFDA # 10.550 School Breakfast Program CFDA # 10.553 National School Lunch Program CFDA# 10.555 Grants to Local Educational Agencies (ESEA Title I) CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2002-10431-001

Material Noncompliance/Internal Control Reportable Condition

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

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

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without the affirmation of the Board of Education, if such expenditure is otherwise valid.

Contrary to the above requirement, prior certification was not obtained for 20% of the expenditures reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the District obtain approved purchase orders, which contain the Treasurer's certification that the amount required to met the obligation has been lawfully appropriated and authorized, prior to making a commitment

FINDING NUMBER 2002-10431-002

Material Noncompliance

Ohio Rev. Code, Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from on fund was used to cover the expenses of another fund was used to cover the expenses of another fund. The table below indicates the funds with negative fund cash balances.

	Fund 006	Fund 572	Fund 200	Fund 584	Fund 599	Fund 516	Fund 573	Fund 463
August	\$(7,366)							
September	(36,682)	\$(2,806)						
October	(54,573)	(13,654)	\$(5,105)	\$(2,293)	\$(7,711)			
November	(75,407)	(23,071)	(4,649)	(844)	(12,773)	\$(20,029)		
December	(95,173)	(34,937)	(8,103)	(844)	(8,349)	(6,729)		
January	(85,232)	(57,510)	(7,427)	(844)	(8,316)	(6,729)		
February	(96,327)	(52,650)	(7,007)	(844)	(8,349)	(6,729)		
March	(105,290)	(64,033)	(2,828)	(844)	(15,260)	(6,729)		\$(7,028)
April	(120,173)		(7,124)	(14,716)	(1,720)			(22,793)
May				(10,620)			\$(5,473)	

**FINDING NUMBER 2002-10431-002
(Continued)**

We recommend the District review fund balances periodically and advance monies as needed to cover delinquent balances.

FINDING NUMBER 2002-10431-003

Internal Control Material Weakness

The District does not have a policy for the accounting for fixed assets. Failure to adopt a formal policy regarding fixed assets could result in inconsistent and /or incorrect application of proper practices for the recording and reporting of fixed assets. We recommend that the District prepare and adopt a policy for fixed assets which will describe in detail the manners to be employed for recording and reporting of fixed assets and which will support management's assertions as presented in the financial statements and notes to the financial statements.

In addition, the District does not maintain detailed accounting records for all categories of its fixed assets, as required by generally accepted accounting principles. Due to the lack of historical data, preparation of such detailed records will require extensive historical research, reconstruction of records, significant reliance on accounting estimates, and accounting compilation to prepare a General Fixed Asset Account Group and Proprietary Fund fixed asset detail which conforms to generally accepted accounting principles. Failure to address this issue will continue to increase the difficulty in reconstruction or records, create the potential for inaccurate accounting of current and future fixed assets, and may cause improper reporting of all fixed assets presented in the financial statements.

We recommend that the District complete an inventory of all fixed assets and develop and implement a system including, but not limited to, the following:

- A. Acquisition date and cost of the asset at time of purchase;
- B. Location and description of the asset;
- C. Model and/or serial number of the asset;
- D. Inventory control number/tag for each asset;
- E. Fund, purchase order, and check number associated with the asset;
- F. Annual depreciation expense;
- G. Accumulated depreciation to date;
- H. Useful life of the asset; and
- I. Disposition value for asset if sold, traded, written out of service, or transferred between funds.

In June 2002, the District was sent a formal proposal by an asset appraisal company to perform an appraisal of the property of the District for their fixed asset records. However, the appraisal firm was not able to start on site until March 2003.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**LOCKLAND CITY SCHOOL DISTRICT
HAMILTON COUNTY
JUNE 30, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10431-001	Ohio Rev. Code 5705.41(D), failure to certify the availability of funds.	No	Issued as Finding 2002-10431-001 in the 2002 schedule of findings.
2001-10431-002	Ohio Rev. Code 149.351, District did not present complete records for Student Activity fund raisers.	No	Partially corrected. Included in the 2002 management letter.
2001-10431-003	The District did not have established policies and procedures in place over the student activity/fundraising receipt cycle.	Yes	
2001-10431-004	The District did not have a computer fixed asset listing of buildings, equipment, other physical assets, or additions and/or deletions.	No	Issued as Finding 2002-10431-003 in the 2002 schedule of findings.



**Auditor of State
Betty Montgomery**

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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
MAY 20, 2003**