MARIEMONT CITY SCHOOL DISTRICT

General Purpose Financial Statements

Year Ended June 30, 2002

With

Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Mariemont City School District
Cincinnati, Ohio

We have reviewed the Independent Auditor's Report of the Mariemont City School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Company, for the audit period July1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mariemont City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 30, 2002

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MARIEMONT CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mariemont City School District:

We have audited the accompanying general purpose financial statements of Mariemont City School District (the School 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 School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type 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 November 26, 2002, except for Note T, as to which the date is December 11, 2002, on our consideration of the School 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 26, 2002
except for Note T, as to
which the date is
December 11, 2002

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

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in pooled cash and investments	$3,811,789	$96,471	$146,076	$4,051,002
Receivables (net of allowances for uncollectibles)				
Taxes - current	10,221,453	0	505,532	0
Taxes - delinquent	317,874	0	21,276	0
Accounts	38,838	0	0	0
Accrued interest	6,809	0	33	3,554
Intergovernmental-state and local	5,384	0	0	0
Materials and supplies inventory	0	0	0	0
Property, plant and equipment (net of accumulated depreciation, where applicable)	0	0	0	0
Restricted assets:				
Equity in pooled cash	280,645	0	0	0
Other debits:				
Amount available in Debt Service Fund	0	0	0	0
Amount to be provided for retirement of General Long-term Obligations	0	0	0	0
Total assets and other debits	$14,682,792	$96,471	$672,917	$4,054,556
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	$325,132	$4,390	$0	$817,502
Accrued wages and benefits	1,307,068	0	0	0
Due to student groups	0	0	0	0
Deferred revenue	7,859,327	0	365,508	0
Pension obligation payable	218,665	0	0	0
Compensated absences payable	45,086	0	0	0
General obligation bonds payable	0	0	0	0
Obligation under capital leases	0	0	0	0
Total liabilities	9,755,278	4,390	365,508	817,502
Fund equity and other credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings: unreserved	0	0	0	0
Fund Balances:				
Reserved-				
Reserved for encumbrances	(178,555)	17,602	0	838,424
Reserved for property tax advances	2,680,000	0	161,300	0
Reserved for budget stabilization	280,645	0	0	0
Unreserved-				
Designated for debt service	0	0	146,109	0
Undesignated	2,145,424	74,479	0	2,398,630
Total fund equity and other credits	4,927,514	92,081	307,409	3,237,054
Total liabilities, fund equity and other credits	$14,682,792	$96,471	$672,917	$4,054,556

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

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	Totals (Memorandum Only)
$20,035	$62,179	$0	$0	$8,187,552
0	0	0	0	10,726,985
0	0	0	0	339,150
20,393	186	0	0	59,417
0	0	0	0	10,396
0	0	0	0	5,384
8,883	0	0	0	8,883
17,957	0	15,528,949	0	15,546,906
0	0	0	0	280,645
0	0	0	307,409	307,409
0	0	0	8,766,531	8,766,531
$67,268	$62,365	$15,528,949	$9,073,940	$44,239,258
$29,581	$0	$0	$0	$1,176,605
24,228	0	0	0	1,331,296
0	52,346	0	0	52,346
3,055	0	0	0	8,227,890
9,811	0	0	125,436	353,912
1,314	0	0	824,681	871,081
0	0	0	7,790,722	7,790,722
0	0	0	333,101	333,101
67,989	52,346	0	9,073,940	20,136,953
0	0	15,528,949	0	15,528,949
(721)	0	0	0	(721)
0	0	0	0	677,471
0	0	0	0	2,841,300
0	0	0	0	280,645
0	0	0	0	146,109
0	10,019	0	0	4,628,552
(721)	10,019	15,528,949	0	24,102,305
$67,268	$62,365	$15,528,949	$9,073,940	$44,239,258

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

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
Revenues:						
From local sources:						
Taxes	$10,562,267	$0	$586,347	$0	$0	$11,148,614
Tuition	96,574	0	0	0	0	96,574
Earnings on investments	128,499	0	4,386	237,880	0	370,765
Extracurricular activities	0	99,848	0	0	6,873	106,721
Classroom materials and fees	102,989	0	0	0	0	102,989
Other local revenues	88,310	50,625	0	0	2,427	141,362
Intergovernmental - state and local	4,522,258	12,877	64,497	0	0	4,599,632
Intergovernmental - federal	0	232,130	0	0	0	232,130
Total revenues	15,500,897	395,480	655,230	237,880	9,300	16,798,787
Expenditures:						
Current:						
Instruction:						
Regular	7,546,628	48,219	0	0	0	7,594,847
Special	970,945	77,566	0	0	0	1,048,511
Other	45,744	0	0	0	0	45,744
Support services:						
Pupil	783,559	99,873	0	0	0	883,432
Instructional staff	1,282,197	58,761	0	26,932	0	1,367,890
General administration	13,954	0	0	0	0	13,954
School administration	1,260,736	0	685	532	0	1,261,953
Fiscal	330,028	0	6,857	0	0	336,885
Business	42,737	0	0	0	0	42,737
Operations and maintenance	1,658,249	0	0	13,203	0	1,671,452
Pupil transportation	448,177	0	0	0	0	448,177
Central	60,895	0	0	0	0	60,895
Non-instructional services	0	0	0	0	1,000	1,000
Community services	0	4,000	0	0	0	4,000
Extracurricular activities	369,932	145,874	0	0	6,801	522,607
Capital Outlay	364,721	0	0	5,058,527	0	5,423,248
Debt service:						
Principal retirement	211,480	0	225,000	0	0	436,480
Interest and fiscal charges	21,681	0	612,773	0	0	634,454
Total expenditures	15,411,663	434,293	845,315	5,099,194	7,801	21,798,266
Excess (deficiency) of revenues over (under) expenditures	89,234	(38,813)	(190,085)	(4,861,314)	1,499	(4,999,479)
Other financing sources (uses):						
Proceeds of capital lease transaction	192,900	0	0	0	0	192,900
Operating transfers in	0	41,000	0	100,000	0	141,000
Operating transfers(out)	(141,669)	0	0	0	0	(141,669)
Total other financing sources (uses)	51,231	41,000	0	100,000	0	192,231
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	140,465	2,187	(190,085)	(4,761,314)	1,499	(4,807,248)
Fund balance, July 1	4,787,049	89,894	497,494	7,998,368	8,520	13,381,325
Fund balance, June 30	$4,927,514	$92,081	$307,409	$3,237,054	$10,019	$8,574,077

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

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MARIEMONT CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$10,599,212	$10,599,212	$0	$0	$0	$0
Tuition	100,051	100,051	0	0	0	0
Earnings on investments	140,536	140,536	0	0	0	0
Extracurricular activities	0	0	0	97,696	97,696	0
Classroom materials and fees	103,582	103,582	0	0	0	0
Other local revenues	56,399	56,399	0	50,625	50,625	0
Intergovernmental - state and local	4,557,381	4,557,788	407	13,774	12,877	(897)
Intergovernmental - federal	0	0	0	239,765	232,130	(7,635)
Total revenues	15,557,161	15,557,568	407	401,860	393,328	(8,532)
Expenditures:						
Current:						
Instruction:						
Regular	7,392,817	7,392,817	0	53,689	53,689	0
Special	972,199	972,199	0	92,447	92,447	0
Other	46,476	46,476	0	0	0	0
Support services:						
Pupil	789,851	789,851	0	101,131	101,131	0
Instructional staff	1,371,365	1,371,365	0	83,824	83,824	0
General administration	13,954	13,954	0	0	0	0
School administration	1,270,737	1,270,737	0	0	0	0
Fiscal	363,228	363,228	0	0	0	0
Business	44,426	44,426	0	0	0	0
Operations and maintenance	1,691,563	1,691,563	0	0	0	0
Pupil transportation	456,803	456,803	0	0	0	0
Central	60,904	60,904	0	0	0	0
Community service	0	0	0	4,000	4,000	0
Extracurricular activities	363,507	363,507	0	146,596	146,596	0
Capital Outlay	107,215	107,215	0	0	0	0
Debt Service:						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total expenditures	14,945,045	14,945,045	0	481,687	481,687	0
Excess (deficiency) of revenues over (under) expenditures	612,116	612,523	407	(79,827)	(88,359)	(8,532)
Other financing sources (uses):						
Operating transfers in	1,075	1,075	0	42,041	42,041	0
Operating transfers (out)	(147,142)	(147,142)	0	(1,041)	(1,041)	0
Refund of prior year expenditures	400	400	0	0	0	0
Total other financing sources (uses)	(145,667)	(145,667)	0	41,000	41,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	466,449	466,856	407	(38,827)	(47,359)	(8,532)
Fund balance, July 1	3,425,735	3,425,735	0	110,152	110,152	0
Prior year encumbrances appropriated	88,796	88,796	0	11,685	11,685	0
Fund balance, June 30	$3,980,980	$3,981,387	$407	$83,010	$74,478	($8,532)

Continued

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

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			TOTAL (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$528,535	$528,535	$0	$0	$0	$0	$11,127,747	$11,127,747	$0
0	0	0	0	0	0	100,051	100,051	0
5,192	5,254	62	282,331	286,238	3,907	428,059	432,028	3,969
0	0	0	0	0	0	97,696	97,696	0
0	0	0	0	0	0	103,582	103,582	0
0	0	0	0	0	0	107,024	107,024	0
28,967	28,967	0	0	0	0	4,600,122	4,599,632	(490)
0	0	0	0	0	0	239,765	232,130	(7,635)
562,694	562,756	62	282,331	286,238	3,907	16,804,046	16,799,890	(4,156)
0	0	0	0	0	0	7,446,506	7,446,506	0
0	0	0	0	0	0	1,064,646	1,064,646	0
0	0	0	0	0	0	46,476	46,476	0
0	0	0	2,000	2,000	0	892,982	892,982	0
0	0	0	26,932	26,932	0	1,482,121	1,482,121	0
0	0	0	0	0	0	13,954	13,954	0
685	685	0	2,000	2,000	0	1,273,422	1,273,422	0
6,857	6,857	0	0	0	0	370,085	370,085	0
0	0	0	0	0	0	44,426	44,426	0
0	0	0	13,203	13,203	0	1,704,766	1,704,766	0
0	0	0	0	0	0	456,803	456,803	0
0	0	0	0	0	0	60,904	60,904	0
0	0	0	0	0	0	4,000	4,000	0
0	0	0	0	0	0	510,103	510,103	0
0	0	0	6,004,266	6,004,266	0	6,111,481	6,111,481	0
225,000	225,000	0	0	0	0	225,000	225,000	0
612,773	612,773	0	0	0	0	612,773	612,773	0
845,315	845,315	0	6,048,401	6,048,401	0	22,320,448	22,320,448	0
(282,621)	(282,559)	62	(5,766,070)	(5,762,163)	3,907	(5,516,402)	(5,520,558)	(4,156)
0	0	0	100,000	100,000	0	143,116	143,116	0
0	0	0	0	0	0	(148,183)	(148,183)	0
0	0	0	0	0	0	400	400	0
0	0	0	100,000	100,000	0	(4,667)	(4,667)	0
(282,621)	(282,559)	62	(5,666,070)	(5,662,163)	3,907	(5,521,069)	(5,525,225)	(4,156)
393,105	393,105	0	7,525,515	7,525,515	0	11,454,507	11,454,507	0
0	0	0	531,725	531,725	0	632,206	632,206	0
$110,484	$110,546	$62	$2,391,170	$2,395,077	$3,907	$6,565,644	$6,561,488	($4,156)

MARIEMONT CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues:	
Tuition and fees	$153,223
Charges for services	203,080
Other operating revenue	20,142
Total operating revenues	376,445
Operating expenses:	
Salaries and wages	129,896
Fringe benefits	30,602
Contract services	286,459
Supplies	46,324
Depreciation	4,044
Total operating expenses	497,325
Operating Loss	(120,880)
Nonoperating revenues:	
Interest revenue	4,398
Operating grants - state & local	805
Operating grants - federal	27,570
Operating grants - donated commodities	16,200
Total Nonoperating Revenues	48,973
Loss before operating transfers	(71,907)
Operating transfers in	669
Net Income (Loss)	(71,238)
Retained earnings at July 1	70,517
Retained earnings at June 30	($721)

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

MARIEMONT CITY SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	$153,223
Cash received from charges for services	203,080
Cash payments for personal services	(136,733)
Cash payments for contract services	(262,916)
Cash payments for supplies and materials	(35,720)
Net cash provided (used) by operating activities	(79,066)
Cash flows from noncapital financing activities:	
Cash received from operating grants	28,375
Cash received from operating transfer in	669
Net cash provided by noncapital financing activities	29,044
Cash flows from investing activities:	
Cash received from interest revenue	4,398
Net cash provided by investing activities	4,398
Net increase (decrease) in cash and cash equivalents	(45,624)
Cash and cash equivalents at beginning of year	65,659
Cash and cash equivalents at end of year	$20,035
Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	(120,880)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,044
Donated commodities	16,200
Changes in assets and liabilities:	
(Increase) in accounts receivables	(20,142)
(Increase) in inventories	(3,373)
Increase in accounts payable	19,297
Increase in accrued wages and benefits	17,759
Increase in pension obligations	5,919
Increase in compensated absences	87
Increase in deferred revenues	2,023
Net cash used by operating activities	($79,066)

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

NOTE A--DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 67 non-certificated personnel and 140 certificated full time teaching and administrative personnel to provide services to students and other community members. The District is the 16th largest in Hamilton County (among 22 Districts) in terms of enrollment. It currently operates 3 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

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. For Mariemont City School District, this includes general operations, food service, preschool and student related activities of the District. The District is associated with two organizations that are defined as a jointly governed organization. These organizations are H/CCA and Great Oaks Institute of Technology and Career Development and are presented in Note R to the General Purpose Financial Statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost: and for the payment of interest on general obligation notes payable, as required by Ohio Law.

Capital Projects Fund

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

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

Enterprise Funds

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

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

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

General Fixed Assets Account Group

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

General Long Term Obligations Account Group

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the District is sixty days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property and income 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 specific 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. In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, taxpayer assessed income taxes, interest, and accounts and grants.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

BUDGETARY DATA

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

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

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

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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

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

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

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

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

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

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001-2002 and none were significant.

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

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

Fund Type	
Governmental:	
General	$ (969,100)
Special Revenue	(130,445)
Debt Service	(152,791)
Capital Projects	(2,412,204)

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

ENCUMBRANCES

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

CASH AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2002, $128,499 of interest revenue was credited to the general fund, $4,386 was credited to the debt service fund, $237,880 was credited to the building capital projects fund and $4,398 was credited to the food service enterprise fund.

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

Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. (If a quoted market price is not available, the methods and significant assumptions used to estimate the fair value of investments must be disclosed.) Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization, textbook, and capital acquisition reserves, as required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2001	$ 0	$ 0	$ 280,645
Current Year Set-aside Requirement	217,706	217,706	0
Additional Qualifying Disbursements	(513,463)	(4,416,957)	0
Total	$ (295,757)	$ (4,199,251)	$ 280,645
Set-aside Cash Balance as of June 30, 2002	$ 0	$ 0	$ 280,645

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

INVENTORY (MATERIALS AND SUPPLIES)

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of the enterprise funds consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

FIXED ASSETS AND DEPRECIATION

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

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

Asset	Life (years)
Furniture, Fixtures and Equipment	5 to 20

INTERFUND TRANSACTIONS

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

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

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no interfund loans or long term advances as of June 30, 2002.

COMPENSATED ABSENCES

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

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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

VACATION	Certified	Administrators and Exempt	Non-Certificated
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	25 days	25 days
Vested	Not Applicable	25 days	25 days
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
SICK LEAVE			
How earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

LONG-TERM OBLIGATIONS

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

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 encumbrances, property taxes, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

MEMORANDUM ONLY-TOTAL COLUMNS

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

AUTHORITATIVE SOURCES

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

NOTE C--RETAINED EARNINGS DEFICIT

The Extended Time Enterprise Fund had deficit retained earnings of $26,434 due to the decrease in enrollment.

NOTE D--EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 or deposit accounts including pass book accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

NOTE D--EQUITY IN POOLED CASH AND INVESTMENTS - CONT'D

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Deposits
At year end the carrying amount of the District's deposits was $3,352,162. The bank balance of deposits was $4,153,358. Of the bank balance, $100,000 was covered by federal depository insurance and $4,053,358 was covered by collateral held by third party trustees pursuant to Section 135.181 Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

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

Based on the above criteria, the District's investments at June 30, 2002 are classified as follows:

	Category			Carrying	Fair
	1	2	3	Value	Value
State Treasury Pool[1]				$3,166,643	$3,166,643
US Treasury Bonds and Notes			$1,949,392	1,949,392	1,949,392
Total Investments			$1,949,392	$5,116,035	$5,116,035

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

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

NOTE E--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2002 were based are as follows:

Tangible personal property	$ 31,725,330
Real estate	251,689,330
Total assessed property value	$283,414,660

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2002, each business was eligible to receive a $10,000 exemption in assessed value, which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2002, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that are measurable at June 30, 2002. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2002. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

NOTE F--RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

A summary of the principal items of receivables follows:

Fund	Receivable	Amount
General Fund	Taxes - Current & Delinquent	$10,539,327
	Accounts	38,838
	Accrued interest	6,809
	Intergovernmental	5,384
Debt Service Fund	Taxes - Current & Delinquent	526,808
	Accrued interest	33
Capital Projects Funds	Accrued interest	3,554
Enterprise Funds	Accounts	20,393

NOTE G--FIXED ASSETS

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

	July 1, 2001	Additions	Deletions	June 30, 2002
Land/Improvements	$ 281,079	$ 144,000	$ 0	$ 425,079
Building/Building Improvements	7,228,719	4,266,361	0	11,495,080
Furniture/Equipment	2,576,050	296,265	0	2,872,315
Vehicles	735,475	1,000	0	736,475
Total	$ 10,821,323	$ 4,707,626	$ 0	$ 15,528,949

There was no significant construction in progress as of June 30, 2002.

A summary of the Proprietary Fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	$ 67,729
Less Accumulated Depreciation	(49,772)
Net Fixed Assets - Proprietary Fund	$ 17,957

NOTE H--CAPITALIZED LEASES - LESSEE

In 2002, the District entered into capitalized leases for the acquisition of office equipment. In prior years, the District has entered into capitalized leases for the acquisition of phone and office and energy conservation equipment. The terms of each agreement provide options to purchase the equipment. The cost of equipment under capital lease at June 30, 2002 is $333,101. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the General Purpose Financial Statements for the Governmental Funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

June 2003	$ 237,753
June 2004	83,881
June 2005	25,982
June 2006	2,901
Total Payments	$ 350,517
Less: Amounts representing Interest	17,416
Present Value of Minimum Lease Payments	$ 333,101

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

In 2001, the District issued $8,015,722 of general obligation bonds. The purpose of the bonds is to provide general, ongoing permanent improvements consisting of building renovations, improvements and repair. The bond issue is a general obligation of the school district for which the full faith and credit of the school district is pledged for repayment. Accordingly, such unmatured obligations of the school district are accounted for in the General Long Term Obligations Account Group. Payment of principal and interest relating to the bond liability is recorded as an expenditure in the Debt Service Fund. The following is a description of the District's long term bonds outstanding as of June 30, 2002:

Purpose	Balance July 1, 2001	Addition 2002	Retirement 2002	Balance June 30, 2002
Bonds:				
Permanent Improvement	$ 8,015,722	$ 0	$ 225,000	$ 7,790,722
Interest Rate – 6.34%				
Issue Date – 8/01/01				
Maturity Date – 12/01/26				

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending June 30	Principal	Interest	Total
2003	$230,000	$396,740	$626,740
2004	245,000	385,991	630,991
2005	255,000	375,553	630,553
2006	265,000	372,527	637,527
2007-25	6,795,722	5,968,573	12,764,295
Total	$ 7,790,722	$7,499,384	$ 15,290,106

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

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences and pension obligations will be paid from the fund from which the employee is paid. Capital leases will be paid from the general fund. Bonds will be paid from the Debt Service Fund.

	July 1, 2001	Additions	Deductions	June 30, 2002
Compensated Absences	$ 811,357	$ 13,324	$ 0	$ 824,681
Pension Obligations	115,356	125,436	115,356	125,436
Bonds Payable	8,015,722	0	225,000	7,790,722
Capital Leases	351,681	192,900	211,480	333,101
Total	$ 9,294,116	$ 216,304	$ 436,480	$9,073,940

NOTE K--LEGAL DEBT MARGIN

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

The effects of these debt limitations at June 30, 2002 are a voted debt margin of $25,507,319 and an unvoted debt margin of $285,541.

NOTE L--SEGMENT INFORMATION

Enterprise Funds - The District maintains four Enterprise Funds to account for the operations of Food Service, Uniform School Supply, Extended Time and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supply	Extended Time	Adult Education	Total
Operating Revenues	$223,080	$19,430	$126,660	$7,275	$376,445
Operating expenses before depreciation	294,822	18,831	172,811	6,817	493,281
Depreciation	4,044	0	0	0	4,044
Operating Income (Loss)	(75,786)	599	(46,151)	458	(120,880)
Interest	4,398	0	0	0	4,398
Operating Grants	44,575	0	0	0	44,686
Operating Transfers-in	669	0	0	0	669
Net Income (Loss)	(26,144)	599	(46,151)	458	(71,238)
Net Working Capital	5,476	938	(26,434)	1,342	(18,678)
Total Assets	56,069	938	8,919	1,342	67,268
Total Liability	32,636	0	35,353	0	67,989
Total Equity	23,433	938	(26,434)	1,342	(721)

NOTE M-EMPLOYEE RETIREMENT SYSTEMS

STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $1,030,249, $984,090, and $934,853 respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. With $155,947 representing the unpaid contribution for fiscal year 2002, it is recorded as a liability within the respective funds.

NOTE M-EMPLOYEE RETIREMENT SYSTEMS - CONT'D

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District participates in the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2001, 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, be the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $467,855 and $468,165 and $423,885, respectively. The District has contributed 58 percent for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. With $197,965 representing the unpaid contribution for fiscal year 2002, it is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE N—POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $331,152 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 2001, net health care costs paid by STRS were $300,772,000 and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 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 2001, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, results in a total health care contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including surcharge, equaled $221,726 during the 2002 fiscal year. Expenses for health care at June 30, 2001, were $315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE O--BUDGETARY BASIS OF ACCOUNTING

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

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

Governmental Fund Types	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	$ 140,465	$ 2,187	$ (190,085)	$(4,761,314)
Net Adjustment for Revenue Accruals	52,673	(2,152)	(92,474)	48,358
Net Adjustment for Expenditure Accruals	613,195	(21,993)	0	706,718
Net Adjustment for Other Sources and Uses	(192,900)	0	0	0
Net Adjustment for Encumbrances	(146,577)	(25,401)	0	(1,655,925)
Budgetary Basis	$ 466,856	$ (47,359)	$ (282,559)	$ (5,662,163)

NOTE P--COMPLIANCE AND ACCOUNTABILITY

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

NOTE Q--CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

LITIGATION

Currently, no litigation is pending against the District.

NOTE R—JOINTLY GOVERNED ORGANIZATIONS

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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

GREAT OAKS INSTITUTE OF TECHNOLOGY AND CAREER DEVELOPMENT

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE S--RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years. There has been no significant decline in coverage from the prior year.

NOTE T--SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted this motion for reconsideration but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement.

On December 11, 2002, the Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance.

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

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Mariemont City School District:

We have audited the financial statements of the Mariemont City School District (the School District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 26, 2002, except for Note T, as to which the date is December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is reported in the accompanying schedule of findings as item 2002-001.

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
November 26, 2002
except for Note T, as to
which the date is
December 11, 2002

MARIEMONT CITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2002

Finding Related to the Financial Statements

2002-001 Ohio Revised 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.

The School District typically complies with this requirement through the use of purchase orders. However, of the 82 transactions we tested for this requirement, 16 had purchase orders dated after the vendor invoice date indicating noncompliance with this requirement.

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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MARIEMONT CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 9, 2003