



**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

St. Bernard/Elmwood Place City School District  
Hamilton County  
105 Washington Avenue  
St. Bernard, Ohio 45217

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of St. Bernard/Elmwood Place City School District, Hamilton County, Ohio (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these 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 *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of St. Bernard/Elmwood Place CSD, Hamilton County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2004, on our consideration of the Government'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 Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund, are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of federal awards expenditures is required by the *U.S. Office of Management & Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financials statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

March 31, 2003

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2003**  
(Unaudited)

The discussion and analysis of St. Bernard-Elmwood Place City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$.50 million. Net assets of governmental activities increased \$.50 million which represents a 10.2% increase from 2002. Net assets of business-type activities decreased \$.01 million or 20.3% from 2002.
- General revenues accounted for \$10.27 million in revenue or 83.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2.05 million or 16.6% of total revenues of \$12.32 million.
- Total assets of governmental activities increased by \$1.60 million as taxes receivable increased by \$1.09 million and cash and other receivables increased by \$.65 million.
- The District had \$11.84 million in expenses related to governmental activities; \$2.05 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10.27 million were adequate to provide for these programs.
- As the major fund, the General Fund had \$10.30 million in revenues and \$9.24 million in expenditures. The General Fund's fund balance increased from \$2.39 to \$2.69 million.
- Net assets for Enterprise Funds decreased slightly. This decrease resulted from operating expenses of \$.40 million exceeding operating income of \$.20 million and grants of \$.19 million.

## Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

## Reporting the School District as a Whole

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service and uniform school supplies are reported as business activities.



## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The analysis of the District's major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

### The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
<b>Assets</b>						
Current and Other Assets	\$11,082,432	\$12,824,603	\$116,557	\$86,493	\$11,198,989	\$12,911,096
Capital Assets	<u>2,426,312</u>	<u>2,248,225</u>	<u>19,742</u>	<u>5,000</u>	<u>2,446,054</u>	<u>2,253,225</u>
Total Assets	<u>13,508,744</u>	<u>15,072,828</u>	<u>136,299</u>	<u>91,493</u>	<u>13,645,043</u>	<u>15,164,321</u>
<b>Liabilities</b>						
Long-Term Liabilities	200,000	1,089,206	0	7,560	200,000	1,096,766
Other Liabilities	<u>8,638,671</u>	<u>8,835,094</u>	<u>66,646</u>	<u>39,373</u>	<u>8,705,317</u>	<u>8,874,467</u>
Total Liabilities	<u>8,838,671</u>	<u>9,924,300</u>	<u>66,646</u>	<u>46,933</u>	<u>8,905,317</u>	<u>9,971,233</u>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	1,921,612	2,098,225	19,742	5,000	1,941,354	2,103,225
Restricted	1,146,393	1,272,293	0	0	1,146,393	1,272,293
Unrestricted	<u>1,602,067</u>	<u>1,778,010</u>	<u>49,911</u>	<u>39,560</u>	<u>1,651,978</u>	<u>1,817,570</u>
Total Net Assets	<u>\$4,670,073</u>	<u>\$5,148,528</u>	<u>\$69,653</u>	<u>\$44,560</u>	<u>\$4,739,726</u>	<u>\$5,193,088</u>

Total assets increased \$1.52 million. Equity in pooled cash and cash equivalents increased \$.61 million. Taxes receivable increased \$1.09 million. Total liabilities increased \$1.07 million, resulting in a net asset increase of \$.48 million.

The net assets of the District business-type activities decreased by \$.03 million. Since the increase was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$146,957	\$200,568	\$347,525
Operating Grants	1,883,338	187,117	2,070,455
Capital Grants	18,646	0	18,646
General Revenue:			
Property Taxes	8,662,720	0	8,662,720
Grants and Entitlements	1,445,402	0	1,445,402
Other	<u>163,981</u>	<u>972</u>	<u>162,953</u>
Total Revenues	<u>12,321,044</u>	<u>388,657</u>	<u>12,707,701</u>
Program Expenses:			
Instruction	6,129,832	0	6,129,832
Support Services:			
Pupil and Instructional Staff	2,043,747	0	2,043,747
General and School Administration,			
Fiscal and Business	1,142,700	0	1,142,700
Operations and Maintenance	1,135,823	0	1,135,823
Pupil Transportation	222,756	0	222,756
Central	245,733	0	245,733
Community Services	637,074	0	637,074
Extracurricular Activities	278,345	0	278,345
Interest and Fiscal Charges	6,579	0	6,579
Food Service	0	399,304	399,304
Uniform School Supply	<u>0</u>	<u>704</u>	<u>704</u>
Total Expenses	<u>11,842,589</u>	<u>400,008</u>	<u>12,242,597</u>
Change in Net Assets	<u>\$478,455</u>	<u>(\$11,351)</u>	<u>\$467,104</u>

## Governmental Activities

The District revenues are mainly from one source. Property taxes levied for general purposes comprised 70.3% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. As stated above, property taxes made up 70.3% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 52% of governmental program expenses. Support services expenses were 40% of governmental program expenses. All other expenses including interest expense were 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$6,129,832	\$5,486,536
Support Services:		
Pupil and Instructional Staff	2,043,747	1,450,034
General and School Administration, Fiscal and Business	1,142,700	1,107,888
Operations and Maintenance	1,135,823	1,120,237
Pupil Transportation	222,756	204,597
Central	245,733	218,570
Community Services	637,074	(24,206)
Extracurricular Activities	278,345	223,413
Interest and Fiscal Charges	<u>6,579</u>	<u>6,579</u>
Total Expenses	<u>\$11,842,589</u>	<u>\$9,793,648</u>

## Business-Type Activities

Business-type activities, include the food service operation and the sale of uniform school supplies. These programs had revenues of \$.39 million and expenses of \$.40 million for fiscal year 2003. Business activities receive no support from tax revenues.

## The District's Funds

Information about the District's major fund is presented in the Fund Financial Statements (see Table of Contents). This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$12,337,588 and expenditures and other financing uses of \$11,577,244. The net change in fund balance for the year was \$760,344 or 24.6%.

## General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenue was \$10.21 million, below original budgeted estimated revenue of \$11.72 million. Of this \$1.51 million difference, most was due to overestimating tax and intergovernmental revenues and underestimating instructional expenses in the original budget.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2003, the District had \$2.3 million invested in land, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Land	\$306,322	\$306,322	\$0	\$0	\$306,322	\$306,322
Buildings and Improvements	1,767,078	1,629,127	0	0	1,767,078	1,629,127
Equipment	<u>352,912</u>	<u>312,776</u>	<u>6,000</u>	<u>5,000</u>	<u>358,912</u>	<u>317,776</u>
Total Net Assets	<u>\$2,426,312</u>	<u>\$2,248,225</u>	<u>\$6,000</u>	<u>\$5,000</u>	<u>\$2,432,312</u>	<u>\$2,253,225</u>

The decrease in capital assets is due to the recognition of \$.20 million in depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

**Debt**

At June 30, 2003, the District had \$150,000 in bonds outstanding, \$50,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
General Obligation Bonds:		
HB 264 School Facilities	<u>\$150,000</u>	<u>\$200,000</u>

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations, or if the State of Ohio will comply with the decision.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Mays, Treasurer at St. Bernard-Elmwood Place City School District, 105 Washington Avenue, St. Bernard, Ohio 45217. Or E-mail at [mmays@sbepschools.org](mailto:mmays@sbepschools.org).

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St. Bernard-Elmwood Place City School District  
Statement of Net Assets  
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$3,743,910	\$78,881	\$3,822,791
Restricted Cash and Investments	8,980	0	8,980
<b>Receivables:</b>			
Taxes	8,770,015	0	8,770,015
Accounts	2,752	0	2,752
Intergovernmental	298,402	0	298,402
Internal Balances	544	(544)	0
Inventory	0	8,156	8,156
Nondepreciable Capital Assets	306,322	0	306,322
Depreciable Capital Assets, Net	1,941,903	5,000	1,946,903
<b>Total Assets</b>	<b>15,072,828</b>	<b>91,493</b>	<b>15,164,321</b>
<b>Liabilities:</b>			
Accounts Payable	11,351	0	11,351
Accrued Wages and Benefits	1,077,009	38,486	1,115,495
Accrued Interest Payable	3,219	0	3,219
Deferred Revenue	7,743,515	887	7,744,402
<b>Long-Term Liabilities:</b>			
Due Within One Year	134,244	0	134,244
Due In More Than One Year	954,962	7,560	962,522
<b>Total Liabilities</b>	<b>9,924,300</b>	<b>46,933</b>	<b>9,971,233</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,132,648	5,000	2,137,648
<b>Restricted for:</b>			
Debt Service	2	0	2
Capital Projects	892,354	0	892,354
Special Revenue	379,937	0	379,937
Unrestricted	1,743,587	39,560	1,783,147
<b>Total Net Assets</b>	<b>\$5,148,528</b>	<b>\$44,560</b>	<b>\$5,193,088</b>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$5,382,188	\$10,684	\$478,777	\$14,437
Special	747,644	0	95,393	0
Other	0	0	44,005	0
<b>Support Services:</b>				
Pupil	1,053,945	61,504	249,231	4,209
Instructional Staff	989,802	0	278,769	0
General Administration	11,250	0	0	0
School Administration	823,750	0	29,606	0
Fiscal	294,651	0	0	0
Business	13,049	0	5,206	0
Operations and Maintenance	1,135,823	13,885	1,701	0
Pupil Transportation	222,756	0	18,159	0
Central	245,733	5,244	21,919	0
Community Services	637,074	708	660,572	0
Extracurricular Activities	278,345	54,932	0	0
Interest and Fiscal Charges	6,579	0	0	0
<b>Total Governmental Activities</b>	<b>11,842,589</b>	<b>146,957</b>	<b>1,883,338</b>	<b>18,646</b>
<b>Business-Type Activities:</b>				
Food Service	399,304	200,568	187,117	0
Uniform School Supply	704	0	0	0
<b>Total Business-Type Activities</b>	<b>400,008</b>	<b>200,568</b>	<b>187,117</b>	<b>0</b>
<b>Totals</b>	<b>\$12,242,597</b>	<b>\$347,525</b>	<b>\$2,070,455</b>	<b>\$18,646</b>

General Revenues:  
Property Taxes Levied for:  
General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$4,878,290)	\$0	(\$4,878,290)
(652,251)	0	(652,251)
44,005	0	44,005
(739,001)	0	(739,001)
(711,033)	0	(711,033)
(11,250)	0	(11,250)
(794,144)	0	(794,144)
(294,651)	0	(294,651)
(7,843)	0	(7,843)
(1,120,237)	0	(1,120,237)
(204,597)	0	(204,597)
(218,570)	0	(218,570)
24,206	0	24,206
(223,413)	0	(223,413)
(6,579)	0	(6,579)
<u>(9,793,648)</u>	<u>0</u>	<u>(9,793,648)</u>
0	(11,619)	(11,619)
<u>0</u>	<u>(704)</u>	<u>(704)</u>
0	(12,323)	(12,323)
<u>(\$9,793,648)</u>	<u>(\$12,323)</u>	<u>(\$9,805,971)</u>
8,662,720	0	8,662,720
1,445,402	0	1,445,402
59,979	972	60,951
104,002	0	104,002
<u>10,272,103</u>	<u>972</u>	<u>10,273,075</u>
478,455	(11,351)	467,104
<u>4,670,073</u>	<u>55,911</u>	<u>4,725,984</u>
<u>\$5,148,528</u>	<u>\$44,560</u>	<u>\$5,193,088</u>

St. Bernard-Elmwood Place City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$2,361,405	\$1,382,505	\$3,743,910
Restricted Cash and Investments	8,980	0	8,980
<b>Receivables:</b>			
Taxes	8,770,015	0	8,770,015
Accounts	1,414	1,338	2,752
Intergovernmental	0	298,402	298,402
Interfund	309,527	0	309,527
<b>Total Assets</b>	<b>11,451,341</b>	<b>1,682,245</b>	<b>13,133,586</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	5,187	6,164	11,351
Accrued Wages and Benefits	972,682	89,311	1,061,993
Compensated Absences	41,057	0	41,057
Interfund Payable	0	308,983	308,983
Deferred Revenue	7,743,515	117,121	7,860,636
<b>Total Liabilities</b>	<b>8,762,441</b>	<b>521,579</b>	<b>9,284,020</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	89,247	92,428	181,675
Reserved for Property Tax Advances	1,026,500	0	1,026,500
Reserved for Set Aside	8,980	0	8,980
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	1,564,173	0	1,564,173
Special Revenue Funds	0	175,882	175,882
Debt Service Funds	0	2	2
Capital Projects Funds	0	892,354	892,354
<b>Total Fund Balances</b>	<b>2,688,900</b>	<b>1,160,666</b>	<b>3,849,566</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$11,451,341</b>	<b>\$1,682,245</b>	<b>\$13,133,586</b>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2003

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Total Governmental Fund Balance		\$3,849,566
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,248,225
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		117,121
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(3,219)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Accrued Wages & Benefits	(15,016)	
Compensated Absences	(898,149)	
Total		(913,165)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		(150,000)
Net Assets of Governmental Activities		<u>\$5,148,528</u>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$8,662,721	\$0	\$8,662,721
Tuition and Fees	9,953	101	10,054
Investment Earnings	55,848	4,131	59,979
Intergovernmental	1,493,614	1,870,314	3,363,928
Extracurricular Activities	0	123,539	123,539
Other Revenues	74,741	42,626	117,367
<b>Total Revenues</b>	<b>10,296,877</b>	<b>2,040,711</b>	<b>12,337,588</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	4,491,999	613,284	5,105,283
Special	630,321	100,449	730,770
<b>Support Services:</b>			
Pupil	599,945	411,125	1,011,070
Instructional Staff	691,462	249,585	941,047
General Administration	11,250	0	11,250
School Administration	880,159	69,522	949,681
Fiscal	296,022	0	296,022
Business	0	13,049	13,049
Operations and Maintenance	1,090,042	25,972	1,116,014
Pupil Transportation	193,029	17,225	210,254
Central	189,618	30,757	220,375
Community Services	0	634,169	634,169
Extracurricular Activities	164,700	113,640	278,340
<b>Debt Service:</b>			
Principal Retirement	0	50,000	50,000
Interest and Fiscal Charges	0	9,920	9,920
<b>Total Expenditures</b>	<b>9,238,547</b>	<b>2,338,697</b>	<b>11,577,244</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,058,330</b>	<b>(297,986)</b>	<b>760,344</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	761,500	761,500
Transfers (Out)	(761,500)	0	(761,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(761,500)</b>	<b>761,500</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>296,830</b>	<b>463,514</b>	<b>760,344</b>
<b>Fund Balance Beginning of Year</b>	<b>2,392,070</b>	<b>697,152</b>	<b>3,089,222</b>
<b>Fund Balance End of Year</b>	<b>\$2,688,900</b>	<b>\$1,160,666</b>	<b>\$3,849,566</b>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2003

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Net Change in Fund Balance - Total Governmental Funds		\$760,344
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(178,087)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(16,544)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		50,000
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.		3,341
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Accrued Wages & Benefits	(2,553)
	Compensated Absences	(138,046)
	Total	(140,599)
		<hr/>
Change in Net Assets of Governmental Activities		<u>\$478,455</u>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

	<u>Business-Type Activity Enterprise Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$78,881
Inventory	<u>8,156</u>
Total Current Assets	<u>87,037</u>
Depreciable Capital Assets, Net	<u>5,000</u>
Total Assets	<u>92,037</u>
Liabilities:	
Current Liabilities:	
Accrued Wages and Benefits	38,486
Interfund Payable	544
Deferred Revenue	<u>887</u>
Total Current Liabilities	<u>39,917</u>
Long-Term Liabilities:	
Compensated Absences	<u>7,560</u>
Total Liabilities	<u>47,477</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,000
Unrestricted	<u>39,560</u>
Total Net Assets	<u><u>\$44,560</u></u>

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Operating Revenues:	
Sales	\$200,568
Total Operating Revenues	200,568
Operating Expenses:	
Personal Services	226,142
Contactual Services	3,522
Materials and Supplies	168,568
Depreciation	1,000
Other Expenses	776
Total Operating Expenses	400,008
Operating Income (Loss)	(199,440)
Non-Operating Revenues (Expenses):	
Investment Earnings	972
Donated Commodities	14,759
Operating Grants	172,358
Total Non-Operating Revenues (Expenses)	188,089
Change in Net Assets	(11,351)
Net Assets Beginning of Year	55,911
Net Assets End of Year	\$44,560

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

	<u>Business-Type Activity Enterprise Funds</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$200,568
Cash Payments to Employees	(239,346)
Cash Payments to Suppliers	(162,944)
Cash Payments for Other Expenses	<u>(776)</u>
Net Cash Provided (Used) by Operating Activities	<u>(202,498)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	197,203
Payments from Other Funds	<u>544</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>197,747</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>1,073</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>1,073</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,678)
Cash and Cash Equivalents Beginning of Year	<u>82,559</u>
Cash and Cash Equivalents End of Year	<u><u>78,881</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(199,440)
Adjustments:	
Depreciation	1,000
Donated Commodities	14,759
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	1,165
(Increase) Decrease in Inventory	(269)
Increase (Decrease) in Payables	(619)
Increase (Decrease) in Accrued Liabilities	(13,204)
Increase (Decrease) in Deferred Revenue	<u>(5,890)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$202,498)</u></u>
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$14,759

See accompanying notes.



St. Bernard-Elmwood Place City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2003

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$28,215	\$18,527
Accounts Receivable	0	138
Total Assets	<u>28,215</u>	<u>\$18,665</u>
Liabilities:		
Accounts Payable	500	3,555
Other Liabilities	0	15,110
Total Liabilities	<u>500</u>	<u>\$18,665</u>
Net Assets:		
Held in Trust for Scholarships	<u>27,715</u>	
Total Net Assets	<u>\$27,715</u>	

See accompanying notes.

St. Bernard-Elmwood Place City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2003

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	<u>Private Purpose Trust</u>
Additions:	
Donations	\$2,749
Investment Earnings	<u>206</u>
Total Additions	<u>2,955</u>
Deductions:	
Scholarships	<u>10,295</u>
Total Deductions	<u>10,295</u>
Change in Net Assets	(7,340)
Net Assets Beginning of Year	<u>35,055</u>
Net Assets End of Year	<u><u>\$27,715</u></u>

See accompanying notes.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2003**

**1. DESCRIPTION OF THE DISTRICT**

The St. Bernard-Elmwood Place City School District (the District) was chartered by the Ohio State Legislature in 1968. Prior to 1968, Elmwood Place and St. Bernard were separate school districts. 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 authorized by its charter or further mandated by state and/or federal agencies.

The District is the fifth smallest in Hamilton County in terms of enrollment. It currently operates two elementary schools (grades preschool-6 and grades K-6), and one junior/senior high school (grades 7-12).

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

**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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

## **MEASUREMENT FOCUS**

### **Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

### **Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

### **Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

## **3. BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### Revenues – Exchange and Non-exchange Transactions

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 fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

### **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$60,951.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

## INVENTORY

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Cost is determined on a first-in, first-out basis.

Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

## CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10-50 years	N/A
Equipment	5-20 years	5-20 years

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.



Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

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

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	1.75-2.25 days per month	10-21 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	Must use annually	Must use annually
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
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	215 days	Number of days in contract -- 275	Number of days in contract -- 191-260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

## **NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and uniform school supply. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

## **INTERFUND ACTIVITY**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepayments, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

## RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$2,387,101	\$697,152	\$3,084,253
Fund Reclassification	<u>4,969</u>	<u>0</u>	<u>4,969</u>
Adjusted Fund Balances, June 30, 2002	<u>\$2,392,070</u>	<u>\$697,152</u>	\$3,089,222
GASB 34 Adjustments:			
Capital Assets			\$2,426,312
Accrued Interest Payable			(6,560)
Compensated Absences Payable			(760,103)
Deferred Revenue			133,665
Accrued Wages and Benefits			(12,463)
Long Term Liabilities			<u>(200,000)</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$4,670,073</u>

At June 30, 2002, fixed assets were restated in the Enterprise Funds. This restatement had the following effect on fund equity as it was previously reported:

	<u>Enterprise Funds</u>
Fund Equity June 30, 2002	\$69,653
Fixed Assets	<u>(13,742)</u>
Adjusted Net Assets, June 30, 2002	<u>\$55,911</u>

#### 4. CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's 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 Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies - Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.

- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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 the year end, the carrying amount of the District's deposits was \$285,936. The bank balance of deposits was \$470,386 of which \$200,000 was covered by federal depository insurance. The remaining balance was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
State Treasury Pool*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,592,577</u>
Total Investments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,592,577</u>

\*The District's Investment in the Ohio State Treasury 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 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 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.

## 5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, 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 2003, 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 on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$1,026,500 for General Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations. The amount available for advance at June 30, 2002 was \$922,500 for General Fund, with a corresponding reserve to fund balance since the Board did not appropriate those receivables for fiscal year 2002 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$77,441,140
Public Utility Personal	11,483,380
Tangible Personal Property	<u>151,290,830</u>
Total	<u>\$240,215,350</u>

## 6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. 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.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
Land	\$306,322	\$0	\$0	\$306,322
Buildings and Improvements	6,040,799	0	0	6,040,799
Equipment	<u>731,499</u>	<u>17,132</u>	<u>0</u>	<u>748,631</u>
Totals at Historical Cost	<u>\$7,078,620</u>	<u>\$17,132</u>	<u>\$0</u>	<u>\$7,095,752</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,273,721	137,951	0	4,411,672
Equipment	<u>378,587</u>	<u>57,268</u>	<u>0</u>	<u>435,855</u>
Total Accumulated Depreciation	<u>\$4,652,308</u>	<u>\$195,219</u>	<u>\$0</u>	<u>\$4,847,527</u>
Governmental Activities Capital Assets, Net	<u>\$2,426,312</u>	<u>(\$178,087)</u>	<u>\$0</u>	<u>\$2,248,225</u>
<b>Business-Type Activities</b>				
Equipment	<u>\$15,297</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,297</u>
Total at Historical Cost	<u>\$15,297</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,297</u>
Less Accumulated Depreciation:				
Equipment	<u>\$9,297</u>	<u>\$1,000</u>	<u>\$0</u>	<u>\$10,297</u>
Total Accumulated Depreciation	<u>\$9,297</u>	<u>\$1,000</u>	<u>\$0</u>	<u>\$10,297</u>
Business-Type Activities Capital Assets, Net	<u>\$6,000</u>	<u>(\$1,000)</u>	<u>\$0</u>	<u>\$5,000</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$115,648
Special	12,600
Support Services:	
Instructional Staff	5,572
School Administration	11,414
Operations and Maintenance	13,250
Pupil Transportation	26,281
Central	7,549
Community Services	<u>2,905</u>
Total Depreciation Expense	<u>\$195,219</u>



## 8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds:						
HB 264 School Facilities 1995 5.15%	7/21/05	<u>\$200,000</u>	<u>\$ 0</u>	<u>\$50,000</u>	<u>\$150,000</u>	<u>\$50,000</u>
Total General Obligation Bonds		200,000	0	50,000	150,000	50,000
Compensated Absences		<u>851,072</u>	<u>88,134</u>	<u>0</u>	<u>939,206</u>	<u>84,244</u>
Total Governmental Activities Long-Term Liabilities		<u>\$1,051,072</u>	<u>\$88,134</u>	<u>\$50,000</u>	<u>\$1,089,206</u>	<u>\$134,244</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$22,365</u>	<u>\$0</u>	<u>\$14,805</u>	<u>\$7,560</u>	<u>\$0</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	<u>\$50,000</u>	<u>\$9,923</u>	<u>\$59,923</u>
2005	<u>50,000</u>	<u>4,253</u>	<u>54,253</u>
2006	<u>50,000</u>	<u>1,418</u>	<u>51,418</u>
Totals	<u>\$150,000</u>	<u>\$15,594</u>	<u>\$165,594</u>

## 9. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (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 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, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$275,413, \$264,677, and \$152,498 respectively; 88.0% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

### **STATE TEACHERS RETIREMENT SYSTEM**

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,227,439, \$1,155,850, and \$1,022,667 respectively; 88.2% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

## **10. POST EMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision 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.

For STRS, all benefit recipients are required to pay a portion of 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% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$394,534 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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% of the premium.

For the fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$168,002 during the fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

## 11. 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 as of June 30, 2003.

### LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## 12. JOINTLY GOVERNED ORGANIZATIONS

**The Hamilton/Clermont Cooperative Association (H/CCA)** is a jointly governed organization consisting of 24 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 and shares in a percentage of the equity based on the resources provided. H/CCA is governed by a board of directors consisting of the superintendents or designees of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained by writing to Hamilton/Clermont Cooperative Association, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**The Great Oaks Joint Vocational School**, a jointly governed organization, is a district political subdivision of the State of Ohio which operates under the direction of a board consisting of a representative from each participating school district's elected board. That board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 East Kemper Road, Cincinnati, Ohio 45241-1581.

### 13. OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP'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 Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 GatesMcDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

### 14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District carries insurance coverage with the following companies:

<u>Coverage</u>	<u>Company</u>
Automobile	Indiana Insurance Company
Property	Indiana Insurance Company
General Liability	Nationwide Insurance Company

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductibles</u>
Automobile	\$1,000,000 each occurrence	\$250 collision
Property	Covered for value of loss	\$1,000 each loss
General Liability	\$2,000,000 each occurrence \$5,000,000 general aggregate	

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three years.

The District participates in the Greater Cincinnati Insurance Consortium, an insurance purchasing pool. The District can obtain better coverage and/or lower premiums by purchasing health, dental, and life insurance benefits through the pool.

## 15. STATE 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 plan 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 its financial operations.

## 16. COMPLIANCE AND ACCOUNTABILITY

### A. Compliance

The District did not include adequate documentation to support the amount of the pay-in receipts for the Student Activities Fund from the Student Activities Advisors. Receipts for the Student Activities Fund were not deposited in the required time and expenditures were not certified as to the availability of funds at the time the commitment was made.

### B. Accountability

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Public Preschool	\$17,659
Disadvantaged Pupil Impact	51,307
Vocational Education Enhancement	15
Special Education	5,169
Title I	23,829
Drug-Free Schools	4,031
Improving Teacher Quality	3,200
Miscellaneous Federal Grants	4,868
Proprietary:	
Uniform School Supply	544

## 17. FUND BALANCE RESERVES FOR SET-ASIDES

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 purposes in future years.

For fiscal year ended June 30, 2003, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	(\$155,974)	\$7,566
Current Year Set-aside Requirement	155,974	155,974
Qualified Disbursements	0	(154,560)
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$ 0</u>	<u>\$8,980</u>
Restricted Cash as of June 30, 2003	<u>\$ 0</u>	<u>\$8,980</u>

The amount required for capital activity spending exceeded the amount actually spent by \$8,980. This amount will be carried forward to the following year. Textbook carryover from prior year was \$155,974, which exceeded the current year set-aside requirement.

## 18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loan <u>Payable</u>
General Fund	\$309,527	
Special Revenue Fund:		
Other Grant		\$116
Student Activity		15,367
Auxiliary Services		7,689
Public Preschool		5,668
Vocational Education Enhancement		679
Special Education		9,506
Title I		62,691
Title V		4,495
Drug-Free Schools		5,257
Improving Teacher Quality		9,517
Miscellaneous Federal Grants		187,998
Proprietary Fund:		
Uniform School Supply	_____	_____544
	<u>\$309,527</u>	<u>\$309,527</u>



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

St. Bernard-Elmwood Place City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,828,073	\$7,468,126	\$8,558,721	\$1,090,595
Tuition and Fees	11,590	975,397	10,093	(965,304)
Interest	69,311	66,500	60,359	(6,141)
Intergovernmental	1,715,133	1,607,518	1,493,614	(113,904)
Other Revenues	96,365	89,165	83,919	(5,246)
Total Revenues	<u>11,720,472</u>	<u>10,206,706</u>	<u>10,206,706</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,459,814	4,916,355	4,423,230	493,125
Special	652,264	740,532	646,913	93,619
Support Services:				
Pupil	650,750	688,793	645,412	43,381
Instructional Staff	710,584	791,636	704,755	86,881
General Administration	11,342	10,264	11,249	(985)
School Administration	920,588	1,036,929	913,036	123,893
Fiscal	336,807	357,337	334,044	23,293
Operations and Maintenance	1,115,137	1,244,750	1,105,989	138,761
Pupil Transportation	198,233	240,677	196,607	44,070
Central	194,496	209,864	192,901	16,963
Extracurricular Activities	166,657	160,112	165,290	(5,178)
Total Expenditures	<u>9,416,672</u>	<u>10,397,249</u>	<u>9,339,426</u>	<u>1,057,823</u>
Excess of Revenues Over (Under) Expenditures	<u>2,303,800</u>	<u>(190,543)</u>	<u>867,280</u>	<u>1,057,823</u>
Other financing sources (uses):				
Advances (Out)	(313,513)	0	(310,941)	(310,941)
Transfers (Out)	(769,815)	(16,618)	(763,500)	(746,882)
Total Other Financing Sources (Uses)	<u>(1,083,328)</u>	<u>(16,618)</u>	<u>(1,074,441)</u>	<u>(1,057,823)</u>
Net Change in Fund Balance	1,220,472	(207,161)	(207,161)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>2,478,162</u>	<u>2,478,162</u>	<u>2,478,162</u>	<u>0</u>
Fund Balance End of Year	<u>\$3,698,634</u>	<u>\$2,271,001</u>	<u>\$2,271,001</u>	<u>\$0</u>

See accompanying notes to required supplementary information.

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2003**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the District is 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, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$296,830
Net Adjustment for Revenue Accruals	(90,171)
Net Adjustment for Expenditure Accruals	(319,927)
Encumbrances	<u>(93,893)</u>
Budget Basis	<u>(\$207,161)</u>

**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED June 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution Program		10.550	\$0	\$19,549
National School Breakfast Program		10.553	34,995	
National School Lunch Program		10.555	<u>150,472</u>	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b><u>185,467</u></b>	<b><u>19,549</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SI	84.027	174,583	
<b>Total Special Education Cluster</b>			<b><u>174,583</u></b>	
Grants to Local Educational Agencies (ESEA Title I)	C1-SD	84.010	253,990	
ESEA Title I School Improvement		84.348	123,805	
Career Education		84.049	1,830	
Title VI		84.151	5,251	
Drug-Free Schools Grant		84.186	17,294	
Title II		84.281	3,209	
Goals 2000	G2-U1	84.276	5,458	
Twenty First Century Community Learning Centers		84.287	272,535	
Assistive Technology Infusion		84.224	7,490	
Title IIA Teacher and Principal Training		84.367	<u>9,625</u>	
<b>Total Department of Education</b>			<b><u>875,070</u></b>	
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Passed Through Ohio Department of Mental Retardation</i>				
Community Alternative Funding System		17.714	29,521	
<b>Total Department of Labor</b>			<b><u>29,521</u></b>	
<b>Total Federal Assistance</b>			<b><u>\$1,090,058</u></b>	<b><u>\$19,549</u></b>

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

**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C – 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, 2003, the District had no significant food commodities in inventory.



**Auditor of State  
Betty Montgomery**

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

St. Bernard/Elmwood Place City School District  
Hamilton County  
105 Washington Avenue  
St. Bernard, Ohio 45217

To the Board of Education:

We have audited the financial statements of the St. Bernard/Elmwood Place City School District, Hamilton County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated MARCH 31, 2004, wherein we noted that the District implemented Governmental Accounting Standards Board Statements 34. 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 St. Bernard/Elmwood Place City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2003-10431-002 and 2003-10431-003

We also noted an immaterial instance of noncompliance that we have reported to management of the Board in a separate letter dated March 31, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School 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 2003-10431-001 and 2003-10431-003.

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. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 31, 2004.

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

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

**Betty Montgomery**  
Auditor of State

March 31, 2004





## **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**

St. Bernard/Elmwood Place City School District  
Hamilton County  
105 Washington Avenue  
St. Bernard, Ohio 45217

To the Board of Education:

#### **Compliance**

We have audited the compliance of St. Bernard/Elmwood Place City School District, Hamilton County, Ohio (the School 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 its major federal program for the year ended June 30, 2003. St. Bernard/Elmwood Place City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of St. Bernard/Elmwood Place City School District's management. Our responsibility is to express an opinion on St. Bernard/Elmwood Place City School 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 St. Bernard/Elmwood Place City School 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 St. Bernard/Elmwood Place City School District's compliance with those requirements.

In our opinion, the St. Bernard/Elmwood Place City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### **Internal Control Over Compliance**

The management of the St. Bernard/Elmwood Place City School 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 St. Bernard/Elmwood Place City School 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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St. Bernard/Elmwood Place City School District  
105 Washington Avenue  
Cincinnati, Ohio 45217  
Independent Accountants' Report on Compliance Requirements  
Applicable to Each Major Federal Program and Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

March 31, 2004

**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2003**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Twenty First Century Community Learning Centers – 84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2003-10413-001**

**Internal Control Reportable Condition**

Forty five percent (45%) of Student Activities receipts tested did not include adequate documentation to support the amount of the pay-in received by the District from the Student Activities Advisors.

Failure to provide supporting documentation for cash deposited to the Treasurer's office could lead to a misappropriation of Student Activity cash receipts.

We recommend that the Student Activities Advisors attach adequate documentation to support cash deposited to the Treasurer's office.

**FINDING NUMBER 2003-10413-002**

**Material Noncompliance**

Sixty two percent (62%) of Student Activities receipts tested were not deposited by the required time. Ohio Rev. Code, Section 9.38 requires that public money be deposited with the Treasurer of the public office or to a designated depository on the business day following the day of receipt. Cash not promptly deposited could be susceptible to theft.

Providing the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the District may adopt a policy permitting employees who receive monies to hold it past the next business day. However, the deposit must be made no later than three (3) business days after its receipt. Furthermore, the policy must include provisions and procedures to safeguard the money during the intervening period.

We recommend the District properly deposit monies received within the time required.

**FINDING NUMBER 2003-10413-003**

**Material Noncompliance/Internal Control Reportable Condition**

Twenty-one percent (21%) of the expenditures tested were not certified as to the availability of funds at the time the commitment was made.

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 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 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The expenditures for which the availability of funds was not certified did not meet the requirements for an exception to certifications; we recommend the District properly utilize the encumbrance method of accounting by certifying the availability of funds. The District should obtain approved purchase orders, which contain the Treasurer’s certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

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**ST. BERNARD/ELMWOOD PLACE CITY SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

<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; <b><i>Explain:</i></b>
2002-10431-001	Food Service Dept, lacks sufficient monitoring controls to ensure completeness and accuracy of these receipts	No	Partially Corrected, the district has upgraded the tally sheets used to include A la cart sales. However, segregation of duties recommendation included in Management Letter.
2002-10431-002	Student Activities receipts not deposited by the required time	No	Not Corrected, finding reissued in current audit.
2002-10431-003	Certification of availability of funds, ORC, Section 5705.41 D	No	Not Corrected, finding reissued in current audit.

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**Auditor of State  
Betty Montgomery**

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**ST. BERNARD/ELMWOOD PLACE 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  
APRIL 20, 2004**