

THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 1999

with

Independent Auditors' Report

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

THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 1999

with

Independent Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Three Rivers Local School District
Cleves, Ohio 45002

We have reviewed the Independent Auditor's Report of the Three Rivers Local School District, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

April 12, 2000

THREE RIVERS LOCAL SCHOOL DISTRICT

Cleves, Ohio

General Purpose Financial Statements

For the Year Ended June 30, 1999

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

Independent Auditors' Report

Board of Education
Three Rivers Local School District
Cleveland, Ohio 45002

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and

Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

Clark, Shafer, Hackett & Co.

Middletown, Ohio
December 7, 1999

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1989

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	
ASSETS AND OTHER DEBITS:									
Assets:									
Equity in pooled cash and investments	\$ 2,226,145	\$ 145,575	\$ 599	\$ 185,305	\$ 85,013	\$ 62,419	-	-	\$ 2,709,056
Cash and cash equivalents - restricted	70,105	-	-	-	-	-	-	-	70,105
Receivables (net of allowances for uncollectibles)	4,789,611	-	-	149,358	-	-	-	-	4,948,969
Taxes - current	67,806	-	-	2,451	-	-	-	-	70,257
Taxes - delinquent	11,870	-	-	-	-	197	-	-	12,067
Accrued interest	286,476	-	-	10,479	1,491	-	-	-	308,446
Intergovernmental - state and local	-	-	-	-	14,975	-	-	-	14,975
Intergovernmental - federal	-	-	-	-	6,190	-	-	-	6,190
Materials and supplies inventory	-	-	-	-	-	-	-	-	-
Property, plant and equipment (net of accumulated depreciation, where applicable)	-	-	-	-	77,742	-	9,748,953	-	9,826,695
Other debits:	-	-	-	-	-	-	-	599	599
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-
Amount to be provided for retirement of General Long-term Obligations	-	-	-	-	-	-	-	1,630,471	1,630,471
Total assets and other debits	\$ 7,472,013	\$ 145,575	\$ 599	\$ 351,583	\$ 185,411	\$ 62,616	\$ 9,748,953	\$ 1,631,070	\$ 19,597,930
LIABILITIES, EQUITY AND OTHER CREDITS:									
Liabilities:									
Accounts payable	\$ 49,765	\$ 540	\$ -	\$ 3,158	\$ -	-	-	-	\$ 53,463
Accrued wages and benefits	1,012,591	67,543	-	-	30,062	-	-	-	1,110,196
Due to other governments	161,885	8,344	-	-	3,797	-	-	75,972	249,798
Due to student groups	-	-	-	-	-	8,060	-	-	8,060
Deferred revenue	1,108,892	-	-	43,288	3,272	-	-	-	1,155,452
General obligation notes payable	-	-	-	-	-	-	-	351,950	351,950
Obligation under capital leases	-	-	-	-	-	-	-	9,247	9,247
Compensated absences payable	-	-	-	-	16,668	-	-	1,194,001	1,210,667
Total liabilities	\$ 2,332,933	\$ 76,427	\$ -	\$ 46,446	\$ 53,797	\$ 8,060	\$ -	\$ 1,631,070	\$ 4,148,753
Equity and other credits:									
Investment in general fixed assets	-	-	-	-	-	-	9,748,953	-	9,748,953
Contributed capital	-	-	-	-	6,691	-	-	-	6,691
Retained earnings: unreserved	-	-	-	-	124,923	-	-	-	124,923
Fund Balances: Reserved:									
Reserved for encumbrances	111,164	17,561	-	5,867	-	64	-	-	134,656
Reserved for set asides	-	-	-	-	-	-	-	-	-
Reserved for Budget Stabilization	70,105	-	-	-	-	-	-	-	70,105
Reserved for future appropriations	4,055,000	-	-	119,000	-	-	-	-	4,174,000
Unreserved: Undesignated	902,811	51,597	599	180,280	-	54,472	-	-	1,189,749
Total equity and other credits	\$ 5,139,080	\$ 68,148	\$ 599	\$ 305,147	\$ 131,614	\$ 54,536	\$ 9,748,953	\$ 0	\$ 15,449,077
Total liabilities, equity and other credits	\$ 7,472,013	\$ 145,575	\$ 599	\$ 351,583	\$ 185,411	\$ 62,616	\$ 9,748,953	\$ 1,631,070	\$ 19,597,930

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

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 For The Year Ended June 30, 1998

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects		
Revenues:						
From local sources:						
Taxes	\$ 12,358,599	\$ -	\$ -	\$ 371,642	\$ -	\$ 12,730,211
Tuition	1,675	-	-	-	-	1,675
Earnings on investments	227,283	-	-	-	1,211	228,494
Extracurricular activities	940	94,929	-	-	-	95,869
Classroom materials and fees	16,208	-	-	-	-	16,208
Other local revenues	61,449	2,934	-	-	24,179	88,562
Intergovernmental - state and local	2,248,315	80,288	-	51,596	-	2,360,199
Intergovernmental - federal	-	452,746	-	-	-	452,746
Total revenues	\$ 14,914,336	\$ 630,867	\$ -	\$ 423,228	\$ 25,360	\$ 15,963,853
Expenditures:						
Current:						
Instruction:						
Regular	6,264,092	62,500	-	372,817	13,244	6,712,753
Special	985,935	390,249	-	-	-	1,376,184
Vocational	43,577	8,797	-	-	-	52,374
Support services:						
Pupil	503,653	-	-	-	-	503,653
Instructional staff	368,544	122,116	-	-	-	490,660
General administration	27,540	-	-	-	-	27,540
School administration	1,258,468	-	-	3,750	-	1,262,218
Fiscal	366,253	-	-	-	-	366,253
Operations and maintenance	1,642,903	3,687	-	-	-	1,646,600
Pupil transportation	953,418	-	-	-	-	953,418
Central	57,829	2,569	-	-	-	60,428
Community services	8,377	-	-	-	9,512	17,889
Extracurricular activities	165,529	94,184	-	-	-	259,713
Debt services:						
Principal retirement	6,437	-	43,681	-	-	50,118
Interest and fiscal charges	1,122	-	20,077	-	-	21,199
Total expenditures	\$ 12,893,678	\$ 674,142	\$ 63,758	\$ 376,667	\$ 22,756	\$ 13,931,002
Excess (deficiency) of revenues over (under) expenditures	2,220,658	(43,245)	(63,758)	46,561	2,634	2,162,851
Other financing sources (uses):						
Operating transfers in	728,874	99,942	64,102	-	-	892,917
Operating transfers (out)	(828,650)	(94,267)	-	-	-	(922,917)
Refund of prior year expenditures	24,612	-	-	-	-	24,612
Proceeds of sale of fixed assets	11,962	-	-	-	-	11,962
Total other financing sources (uses)	(63,183)	35,675	64,102	0	0	11,962
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	2,157,477	(7,571)	344	46,561	2,634	2,199,445
Fund balance, July 1	2,981,603	76,719	255	258,686	61,902	3,369,065
Fund balance, June 30	\$ 5,139,080	\$ 69,148	\$ 599	\$ 305,147	\$ 54,536	\$ 5,568,510

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

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Fund			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Reverted	Actual	Variance: Favorable (Unfavorable)
Revenues															
From local sources:															
Taxes	\$ 9,985,038	\$ 9,985,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,292,209	\$ 10,292,209	\$ -
Tuition	1,375	1,375	-	-	-	-	-	-	-	-	-	-	1,675	1,675	-
Earnings on investments	228,640	228,640	-	-	-	-	-	-	-	-	-	-	228,093	228,093	-
Extracurricular activities	94,609	94,609	-	94,609	94,609	-	-	-	-	-	-	-	95,809	95,809	-
Grants	16,200	16,200	-	-	-	-	-	-	-	-	-	-	16,200	16,200	-
Other local revenues	81,448	81,448	-	2,834	2,834	-	-	-	-	-	-	-	84,383	84,383	-
Intergovernmental - state and local	2,046,315	2,046,315	-	60,288	60,288	-	-	-	-	-	-	-	2,380,169	2,380,169	-
Intergovernmental - federal				452,748	452,748	-	-	-	-	-	-	-	462,748	462,748	-
Total revenues	12,542,949	12,542,949	-	630,867	630,867	-	-	-	-	368,727	368,727	-	13,632,270	13,632,270	-
Expenditures															
Current:															
Instruction:															
Regular	6,191,541	6,191,541	-	63,238	63,238	-	-	-	-	-	-	-	63,238	63,238	-
Special	689,805	689,805	-	378,184	378,184	-	-	-	-	-	-	-	1,360,088	1,360,088	-
Vocational	45,582	45,582	-	8,797	8,797	-	-	-	-	-	-	-	54,379	54,379	-
Support services:															
Pupil	489,844	489,844	-	118,261	118,261	-	-	-	-	-	-	-	489,844	489,844	-
Instructional staff	371,998	371,998	-	-	-	-	-	-	-	-	-	-	489,844	489,844	-
General administration	27,371	27,371	-	-	-	-	-	-	-	-	-	-	27,371	27,371	-
School administration	1,254,986	1,254,986	-	6,241	6,241	-	-	-	-	-	-	-	1,254,986	1,254,986	-
Fiscal	384,480	384,480	-	-	-	-	-	-	-	-	-	-	384,480	384,480	-
Operations and maintenance	1,894,049	1,894,049	-	2,598	2,598	-	-	-	-	-	-	-	1,896,290	1,896,290	-
Pupil transportation	110,578	110,578	-	2,598	2,598	-	-	-	-	-	-	-	113,178	113,178	-
Catering services	8,955	8,955	-	107,881	107,881	-	-	-	-	-	-	-	8,955	8,955	-
Extracurricular activities	195,598	195,598	-	-	-	-	-	-	-	-	-	-	303,477	303,477	-
Materials															
Debt service	7,183	7,183	-	43,681	43,681	-	43,681	43,681	-	-	-	-	50,864	50,864	-
Principal retirement															
Interest and fiscal charges															
Total expenditures	12,708,987	12,708,987	-	685,231	685,231	-	63,758	63,758	-	379,514	379,514	-	13,635,500	13,635,500	-
	(164,351)	(164,351)	-	(64,334)	(64,334)	-	(63,796)	(63,796)	-	(20,787)	(20,787)	-	(203,230)	(203,230)	-
Excess (deficiency) of revenues over (under) expenditure															
Other financing sources (uses)															
Proceeds of bonds															
Operating transfers in	728,874	728,874	-	89,542	89,542	-	64,102	64,102	-	-	-	-	892,918	892,918	0
Operating transfers (out)	(828,650)	(828,650)	-	(84,267)	(84,267)	-	-	-	-	-	-	-	(862,817)	(862,817)	-
Advances in															
Advances (out)															
Pass - through															
Refund of prior year expenditure	24,812	24,812	-	-	-	-	-	-	-	-	-	-	24,812	24,812	-
Proceeds of sale of fixed assets	11,982	11,982	-	-	-	-	-	-	-	-	-	-	11,982	11,982	-
Total other financing sources (uses)	(63,182)	(63,182)	-	35,675	35,675	-	64,102	64,102	-	-	-	-	36,585	36,585	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(227,533)	(227,533)	-	(18,659)	(18,659)	-	344	344	-	(20,787)	(20,787)	-	(268,835)	(268,835)	(0)
Fund balance, July 1	2,412,821	334,278	(1,578,243)	146,874	146,573	(1,098)	3	3	-	264,223	199,305	(14,918)	2,793,521	1,168,158	1,594,362
Fund balance, June 30	\$ 2,185,288	\$ 667,743	\$ (1,578,243)	\$ 128,015	\$ 128,918	\$ (1,059)	\$ 347	\$ 347	\$ -	\$ 183,436	\$ 168,518	\$ (14,218)	\$ 2,466,686	\$ 892,924	\$ 1,584,362

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

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 1999

	Enterprise
Operating revenues:	
Sales	\$444,563
Total operating revenues	444,563
Operating expenses:	
Salaries and Wages	183,537
Fringe benefits	59,061
Contract services	45,612
Supplies	286,491
Depreciation	9,364
Total operating expenses	584,065
Operating loss	(139,502)
Nonoperating revenues:	
Operating grants - state and local	9,043
Operating grants - federal	118,606
Operating grants - donated commodities	30,957
Other	1,931
Total nonoperating Revenues	160,537
Net Income	21,035
Retained earnings at July 1	103,888
Retained earnings at June 30	\$124,923

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

THREE RIVERS LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise
Cash flows from operating activities:	
Cash received from sales	\$444,563
Cash payments for personal services	(240,210)
Cash payments for contract services	(45,612)
Cash payments for supplies and materials	(255,832)
	(97,091)
Cash flow from noncapital financing activities:	
Cash received from operating grants	130,600
Miscellaneous Revenue	1,931
	132,531
Net increase in cash and cash equivalents	35,440
Cash and cash equivalents at beginning of year	49,573
Cash and cash equivalents at end of year	\$85,013
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	(\$139,502)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	9,364
Donated commodities used	30,957
Changes in assets and liabilities:	
Decrease in supplies inventory	1,016
Increase) in accrued wages and benefits	2,277
Increase) in due to to other governments	111
Decrease in deferred revenue	(1,314)
Net cash used by operating activities	(97,091)

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

THREE RIVERS LOCAL SCHOOL DISTRICT

Notes to General Purpose Financial Statements

1. Description of the District:

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

The District operates under a locally elected five-member Board (the Board) form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 78 non-certificated personnel and 135 certificated teaching and administrative personnel to provide services to students and other community members.

The District ranks 258 out of 611 districts in the State of Ohio in terms of enrollment and the 12th largest in Hamilton County. It currently operates three elementary schools (grades K-5), one middle school (grades 6-8), and one high school (grades 9-12).

2. Summary of Significant Accounting Policies:

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

The reporting entity

In accordance with Governmental Accounting Standards (GASB) Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary 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 and account groups 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.

Basis of presentation - fund accounting

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and other credits, revenues and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

Governmental funds

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

General fund

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

Special revenue funds

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

Debt service fund

The debt service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest and related cost and for the payment of interest on general obligation notes payable as required by Ohio law.

Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following is the District's proprietary fund type:

Enterprise funds

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

Fiduciary funds

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

Accounts groups

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

General fixed assets account group

This group of accounts is established for all fixed assets of the District, other than those accounted for in proprietary funds.

General long-term obligations account group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in proprietary funds.

Measurement focus/basis of accounting

Measurement focus

All governmental funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Under the provisions of Government Accounting Standards Board No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the District has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Basis of accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included property taxes, interest, tuition, and state and federal grants. Delinquent property taxes not received within 60 days after fiscal year end and property taxes which are intended to finance subsequent fiscal year operations, have been recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt which is recorded when due.

The accrual basis of accounting is utilized by proprietary funds. Revenues are recorded when earned and expenses are recorded in the period incurred.

Budgetary data

Budgetary basis of accounting

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

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Outstanding year end encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balances (GAAP).

The actual results of operations compared to the final appropriation, which includes amendments to the original appropriation for each fund type by expenditure function and revenue by source are presented in the **Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)**.

The District is required by state statute to adopt an annual appropriated budget for all fund types except Agency Funds. The specific timetable is as follows:

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

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

Prior to March 15, the Board of Education accepts by formal resolution the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30 the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources (the Certificate). The revised budget then serves as a basis for the appropriation measure. On or about July 1 the Certificate is

amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

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

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

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

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all governmental funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary basis and GAAP basis of accounting.

Cash and investments

Cash received by the District is deposited in one of three bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity within three months of the date of issuance) which are stated at cost. State statute authorizes the District to invest in obligations of the U.S. Treasury, commercial paper, and repurchase agreements. Under existing Ohio statutes, all investment earnings accrue to the general fund, the special trust fund, and other funds as required by law.

Interest earnings are allocated to these funds based on ending monthly cash balances. Interest income earned in fiscal 1999 (excluding agency fund operations) totaled \$228,494.

For purposes of the statement of cash flows (GASB Statement 9), all highly liquid investments with a maturity of three months or less when issued are considered to be cash equivalents.

Investments in the District's cash and investments are stated at fair value.

An analysis of the treasurer's investment account at year end, June 30, 1999, is provided in Note 3.

Inventory (materials and supplies)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. Inventories of all proprietary funds are expensed when used rather than when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

Restricted cash

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$70,105 refund from the Bureau of Workers Compensation which State statute requires be included in this reserve.

Fixed assets and depreciation

General fixed assets account group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than three years. No depreciation is recognized for assets in the general fixed assets account group. The District does not possess any infrastructure.

Proprietary funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided where appropriate on a straight-line basis over the following estimated useful lives of 5 – 20 years for furniture and equipment.

Intergovernmental revenues

In governmental funds, entitlements and non-reimbursement grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenue when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned *except for donated commodities which are recognized when used.*

Interfund transactions

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

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

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.

Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30, 1999.

Compensated absences

Vested and accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Amounts of vested and accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group. Vested and accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to the employee.

In accordance with GASB Statement No. 16, sick leave benefits should be accrued only when it is probable that the employer will have to make termination payments. Sick pay benefits that have been earned, but probably will be used only for sick leave, should not be accrued, but rather recorded as an expenditure/expense when employees are paid for days not worked due to illness. Therefore, a liability for earned but unused sick leave has been provided in the appropriate funds for District employees who are currently eligible for retirement as well as other employees who are expected to become eligible in the future to receive payments.

Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund equity

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds.

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

Memorandum only total columns

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Equity in Pooled Cash and Investments:

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, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

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:

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.

Bonds, notes, debentures or other obligations of securities issued by any federal governmental agency.

Repurchase agreements in the securities enumerated above.

Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificate of deposit maturing into more than one year from the date of deposit or by savings or deposit accounts including but not limited to passbook accounts.

Bonds and other obligations of the State of Ohio or its political subdivisions.

The Ohio State Treasurer's investment pool.

Deposits

At year end the carrying amount of the District's pooled cash was \$289,161. The bank balance of deposits was \$531,314. Of the bank balance:

1. \$147,000 was covered by federal depository insurance: and
2. \$384,314 was covered by collateral held by the pledging institution's trust department pursuant to Ohio Revised Code Section 135.181 in collateral pools securing all public funds on deposit with specific depository institutions. Ohio revised code Chapter 135, Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. CATEGORY 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer or by its department or agent, but not in the District's name. Based on the above criteria, the District's investments at June 30, 1999 are classified as follows:

	<u>Fair Value</u>
State Treasury Asset Reserve (1)	\$ <u>2,490,000</u>

- (1) The District's investment in the Ohio State Treasurer's pool (Star Ohio) is not categorized because it is not evidenced by securities that exist in physical or book entry form. Investments in Star Ohio are backed by the securities purchased by Star Ohio. Historically, over 90% of investments purchased by Star Ohio are U.S. Government Obligations and securities purchased and held in a third party custodial arrangement on behalf of Star Ohio.

4. Property Taxes:

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

Tangible personal	\$ 40,256,700
Public Utilities and real estate	<u>308,134,510</u>
	\$ <u>348,391,210</u>

In 1999 real property taxes were levied in January on the assessed values as of January 1, 1998, the lien date. Assessed values are established by the county auditor at 35% appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in November 1993. Tangible personal property is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 1999 each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed to the District by the State.

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

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.

Per Auditor of State Bulletin No. 95-016, uncollected taxes outstanding, available to the District as of June 30th, are recorded as receivables and revenues for the current fiscal year. However, since the taxes are not intended to fund the current year's operations, a reserve for future appropriations has been set up in the fund balance section. Uncollected taxes outstanding, not available to the District as of June 30th, are recorded as a receivable and deferred revenue.

5. Receivables:

Receivables at June 30, 1999 consisted of taxes receivable, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

<u>Fund</u>	<u>Receivable</u>	<u>Amount</u>
General	Taxes	\$ 4,867,417
	Accrued interest	11,870
	Intergovernmental state and local	296,476
Capital projects	Taxes	151,809
	Intergovernmental state and local	10,479
Enterprise	Intergovernmental state and local	1,491

	Intergovernmental federal	14,975
Expendable trust	Accrued interest	197

6. Fixed Assets:

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land	\$ 101,354	-	-	101,354
Building	4,673,184	-	-	4,673,184
Furniture/equipment	3,496,516	311,529	-	3,808,045
Vehicles	<u>1,021,917</u>	<u>168,703</u>	<u>24,250</u>	<u>1,166,370</u>
Total	\$ <u>9,354,264</u>	<u>480,232</u>	<u>24,250</u>	<u>9,748,953</u>

A summary of the proprietary fund fixed assets at June 30, 1999 follows:

Furniture and equipment	\$ 326,806
Less accumulated depreciation	(<u>249,064</u>)
Net fixed assets - proprietary fund	\$ <u>77,742</u>

7. Long-Term Debt:

H.B. 264 Energy Conservation Measures

Substitute House Bill 264 ("H.B. 264"), which became effective October 1, 1985, authorized the following methods for boards of education to finance energy conservation measures:

Unvoted bonds and notes under Ohio's Uniform Bond Law;

Unvoted installment payment agreements; and

Unvoted shares-savings arrangements.

H.B. 264 added Section 133.06(G) to Chapter 133 of the Ohio Revised Code (sometimes called the "Uniform Bond Law") which permits a board of education to issue unvoted bonds and notes to finance energy conservation measures.

Section 133.06(G) provides a four-step process for issuing such obligations:

A board of education contracts for an analysis and recommendations for energy conservation measures;

If the board finds that the energy conservation measures are likely to pay for themselves over ten years, the board requests the State Department of Education for permission to borrow in order to finance the energy conservation measures;

If the State Department of Education finds that the local board of education's findings are reasonable, it authorizes the borrowing, and the local board of education may issue its notes or bonds; and

As long as the indebtedness remains outstanding, the local board of education monitors the performance of the energy conservation measures annually and reports on the energy conservation measure to the State Department of Education, which reports are certified by an architect or engineer independent of the vendor that supplied the energy conservation measures.

The bonds and notes issued Section 133.06(G) are general obligations of the local board of education, are not subject to the 1/10 of 1% unvoted debt limitation generally applicable to board of education, but are subject to a 9/10 of 1% debt limit contained in Section 133.06(G). Such bonds and notes must otherwise comply with the applicable provisions of Chapter 133 of the Ohio Revised Code, and any such bonds have a maximum maturity of ten years (Section 133.20).

The following is a description of the District's Energy Conservation Notes outstanding at June 30, 1999:

	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>6/30/99</u>	<u>Retired</u> <u>in 1999</u>	<u>Balance</u> <u>6/30/99</u>
Energy Conservation	5.35	8/16/95	12/31/05	\$ <u>395,531</u>	<u>43,681</u>	<u>351,850</u>

The following is a summary of the District's future annual debt service requirements to maturity for the Energy Conservation Note:

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
Fiscal 2001	\$ 17,665	46,436	305,414
Fiscal 2002	15,119	48,982	256,432
Fiscal 2003	12,433	51,668	204,764
Fiscal 2004	9,600	54,501	150,263
Fiscal 2005	6,612	57,489	92,774
Fiscal 2006	<u>3,958</u>	<u>92,774</u>	-
	\$ <u>165,387</u>	<u>351,850</u>	

Capital leases

The District entered into a lease for the acquisition of a copier. The terms of the agreement provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Therefore, these lease agreements have been recorded at the present value of the future minimum lease payments as of their date of their inception.

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

2000	\$ 4,763
2001	<u>4,763</u>
	9,526
Less amounts representing interest	<u>279</u>
Present value of minimum least payments	<u>\$ 9,247</u>

8. Changes in the General Long-Term Obligation Account Group:

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>July 1, 1998</u>	<u>Addition</u>	<u>Deduction</u>	<u>June 30, 1999</u>
Compensated absences:				
Sick leave and vacation	\$ 1,177,823	16,178	-	1,194,001
Due to other governments	76,623	-	651	75,972
Energy conservation measure notes	395,531	-	43,681	351,850
Capital lease	<u>12,889</u>	<u>-</u>	<u>3,642</u>	<u>9,247</u>
Total	<u>\$ 1,662,866</u>	<u>16,178</u>	<u>47,974</u>	<u>1,631,070</u>

9. Segment Information:

Enterprise funds - The District maintains two Enterprise Funds to account for the operations of food services and uniform school supply sales. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenues	\$ 405,526	39,037	444,563
Operating expenses			
before depreciation	550,328	24,373	574,701
Depreciation	9,364	-	9,364
Operating income (loss)	(154,166)	14,664	(139,502)
Other	1,531	400	1,931
Operating grants	158,606	-	158,606
Net income (loss)	5,971	15,064	21,035
Net working capital	109,296	15,064	124,360
Total assets	170,347	15,064	185,411
Total liabilities	53,797	-	53,797
Total equity	116,550	15,064	131,614

Contributed capital - food service enterprise fund - During the fiscal year, contributed capital did not change.

10. Defined Benefit Pension Plans:

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee defined benefit retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or calling (614) 222-5853.

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 rate is 14% of annual covered payroll. The contribution rates of plan members and employers are established by SERS's Retirement Board within the rates allowed by State statute.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$227,916, \$229,872 and \$202,330, respectively; 50% has been contributed for fiscal years 1999, and 100% for 1998 and 1997. \$113,958, representing the unpaid contribution for fiscal years 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (The STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 12% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School districts required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$ 809,520, \$745,548, and \$800,278, respectively; 83.33% has been contributed for fiscal year 1999, and 100% for 1998 and 1997. \$135,840 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

11. Post Employment Benefits

The School 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 include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS all benefit recipients are required to pay a portion of health care costs 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 8% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$28,904 during the 1999 fiscal year. As of June 30, 1999, eligible benefit recipients totalled 91,999. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

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 this fiscal year, employer contributions to fund health care benefits were 4.21% 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 members pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled approximately \$87,000 during the 1999 fiscal year. The number of recipients currently receiving health care benefits is 56,632. For the fiscal year ended June 30, 1999, net health care costs paid by SERS were \$126,000,000.

12. Other Employee Benefits:

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 272 days. Upon retirement, payment is made for one-fourth of the sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to regular employees. Employees receive coverage in the amount of one and one-half to two and one-half the amount of their salary rounded to the nearest \$1,000.

13. Budgetary Basis of Accounting:

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

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

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP basis	\$ 2,157,477	(7,571)	344	46,561
Net adjustment for revenue accruals	(2,371,690)	-	-	(64,500)
Net adjustment for expense accruals	97,844	6,473	-	3,019
Net adjustments for Encumbrances	<u>(111,164)</u>	<u>(17,561)</u>	<u>-</u>	<u>(5,867)</u>
Budgetary basis	\$ <u>(227,533)</u>	<u>(18,659)</u>	<u>344</u>	<u>(20,787)</u>

14. Compliance and Accountability:

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

15. Joint Governed Organization:

The Hamilton/Clermont Cooperative Association (HCCA) is a jointly governed organization consisting of twenty-four school districts. The jointly governed 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 districts. Each of the governments of these school supports HCCA and shares in a percentage of equity based on the resources provided. HCCA is governed by the board of directors consisting of the

superintendents of the member school boards. The degree of control exercised by any participating school district is limited to its representation on the board. The operating budget of HCCA is funded by state funds and by contributions from each member District based upon a per pupil fee. The District's share of the financial operations for June 30, 1999 was 3.1%.

The individual HCCA members are not considered "participants having equity interest" as defined by GASB Statement 14 since members have no right to any assets of HCCA. Separate financial statements for HCCA can be obtained from the HCCA administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

16. Contingent Liabilities:

Grants

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

Litigation

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

17. Legal Debt Margin:

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

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$31,355,209 and an unvoted debt margin of \$348,391.

18. 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. During fiscal year 1999, insurance coverage for property, liability, and vehicles was provided by commercial insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life provides the life insurance coverage for the District.

The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

19. Fund Balance Deficits:

Fund balances at June 30, 1999 included the following individual fund deficits (includes accrual entries):

Special Revenue Funds:

Title I	(47,011)
School net professional development	(1,238)

The above funds have deficit fund balances due to the accrual of wages and fringe benefits, and also due to the timing of receiving reimbursements for goods and/or services rendered.

20. State School Funding Decision:

On March 27, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of support to the District. During the fiscal year ended June 30, 1999, the District received \$1,571,281 of school foundation support for its general fund.

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

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

21. Statutory Reserves:

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ -	-	70,105	70,105
Current Year Set-aside Requirement	693,381	693,381	-	1,386,762
Current Year Offsets	-	-	-	-
Qualifying Disbursements	<u>693,381</u>	<u>693,381</u>	<u>-</u>	<u>1,386,762</u>
Set-aside Cash Balance as of June 30, 1999	-	-	70,105	
Amount Restricted for Bus Purchases				<u>-</u>
Total Restricted Assets				\$ <u>70,105</u>

Expenditures for textbooks and instructional materials during the year totaled \$711,472, which exceeded the amount required for the set-aside.

Expenditures for the Capital Acquisition activity during the year totaled \$1,311,780, which exceeded the amount required for the set-aside.

No additional contribution was required for the Budget Stabilization set-aside because the annual increase in revenue as defined by the State Auditor's office was .4% during FY-99. A 3% increase is required to trigger additional contributions to the Budget Stabilization Fund.

THREE RIVERS LOCAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 1999

<u>Federal Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA#</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>				
<u>Passed Through State Dept. of Education</u>				
Nutrition Cluster:				
School Breakfast Program	04410705PU98	10.553	\$ 14,185	14,185
In-Kind Commodities (a)	N/A	10.550	30,957	30,957
National School Lunch Program	04410704PU98	10.555	<u>107,381</u>	<u>107,381</u>
Total Department of Agriculture - Nutrition Cluster			<u>152,523</u>	<u>152,523</u>
<u>U.S. Department of Labor</u>				
<u>Passed Through Hamilton County</u>				
Job Training Partnership Act	N/A	17.998	<u>3,577</u>	<u>3,577</u>
<u>U.S. Department of Education</u>				
<u>Passed Through State Dept. of Education</u>				
Title I of ESEA	044107CISD98	84.010	327,437	338,774
Title II	044107CIID98	84.151	8,172	8,172
Title VI-B	0441076BSF98	84.027	34,516	34,516
Vocational Education	04410720C198	84.048	3,714	3,714
Drug Free Schools	044107DRS198	84.186	<u>11,373</u>	<u>11,373</u>
Total Department of Education			<u>385,212</u>	<u>396,549</u>
<u>Federal Emergency Management Agency</u>				
<u>through State Auditor</u>				
FEMA - flood proceeds	N/A	83.516	<u>63,957</u>	<u>63,957</u>
Total Federal Awards			\$ <u>605,269</u>	<u>616,606</u>

Schedule prepared using the cash basis method of accounting.

(a) This is an estimated value provided by the District for non-cash donated foods.

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

Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Board of Education
Three Rivers Local School District
Cleves, Ohio 45002

We have audited the financial statements of the Three Rivers Local School District (the District) as of and for the year ended June 30, 1999 and have issued our report thereon dated December 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 7, 1999.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the District in a separate letter dated December 7, 1999.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
December 7, 1999

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

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133

Board of Education
Three Rivers Local School District
Cleveland, Ohio 45002

Compliance

We have audited the compliance of Three Rivers Local School District (the District) with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

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

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

Clark, Scharfer, Hackett & Co.

Middletown, Ohio
December 7, 1999

Schedule of Findings and Questioned Costs
OMB Circular A - 133

Three Rivers Local School District

June 30, 1999

I SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under sec. 510?</i>	No

(d)(1)(vii)	<i>Major Program</i>	Title I
(d)(1)(viii)	<i>Dollar Threshold: Type A\B programs?</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee</i>	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

THREE RIVERS LOCAL SCHOOL DISTRICT
Schedule of Prior Audit Findings and Questioned Costs

June 30, 1999

There were no findings and questioned costs in the prior year's audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

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THREE RIVERS LOCAL 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.

By: Susan Babbitt

Date: MAY 2, 2000