



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

---

**STATE OF OHIO**



## TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)- All Governmental Fund Types .....	7
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type .....	8
Statement of Cash Flows - All Proprietary Fund Type .....	9
Notes to the General-Purpose Financial Statements .....	11
Schedule of Federal Awards Receipts and Expenditures .....	41
Report of Independent Accountants on Compliance and on Internal Control Required by Government Auditing Standards .....	43
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	45
Schedule of Findings .....	47
Schedule of Prior Audit Findings .....	49

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lockland City School District, Hamilton County, Ohio (the District), as of and for the fiscal 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 general-purpose 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lockland City School District, Hamilton County, Ohio, as of June 30, 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 a report dated March 16, 2000 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 federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

March 16, 2000



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**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>									
<b>ASSETS:</b>									
Equity in pooled cash and cash equivalents . . . . .	\$3,364,468	\$471,200	\$241,020	\$37,540	\$25,744	\$30,280			\$4,170,252
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent . . . . .	5,561,409		782,406						6,343,815
Accounts . . . . .					16,000				16,000
Due from other governments . . . . .	2,450				336				2,786
Prepayments . . . . .	16,135								16,135
Materials and supplies inventory . . . . .					1,250				1,250
Restricted assets:									
Equity in pooled cash and cash equivalents . . . . .	234,793								234,793
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .					38,084		\$1,853,063		1,891,147
<b>OTHER DEBITS:</b>									
Amount available in Debt Service Fund . . . . .								\$404,923	404,923
Amount to be provided for retirement of General Long-Term Obligations . . . . .								5,430,624	5,430,624
<b>Total assets and other debits . . . . .</b>	<b>\$9,179,255</b>	<b>\$471,200</b>	<b>\$1,023,426</b>	<b>\$37,540</b>	<b>\$81,414</b>	<b>\$30,280</b>	<b>\$1,853,063</b>	<b>\$5,835,547</b>	<b>\$18,511,725</b>

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

--Continued



**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (Continued)  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>									
<b>LIABILITIES:</b>									
Accrued wages and benefits . . . . .	\$317,666	\$55,647			\$17,054				\$390,367
Compensated absences payable . . . . .	11,651				11,432		\$478,261		501,344
Pension obligation payable. . . . .	39,604	7,371			4,224		2,286		53,485
Deferred revenue . . . . .	4,397,370		\$617,280		697				5,015,347
Due to other governments . . . . .	8,472		1,223						9,695
Due to students . . . . .						\$8,375			8,375
General obligation bonds payable . . . . .								5,315,000	5,315,000
Energy conservation notes payable. . . . .								40,000	40,000
<b>Total liabilities . . . . .</b>	<b>4,774,763</b>	<b>63,018</b>	<b>618,503</b>		<b>33,407</b>	<b>8,375</b>		<b>5,835,547</b>	<b>11,333,613</b>
<b>EQUITY AND OTHER CREDITS:</b>									
Investment in general fixed assets . . . . .							\$1,853,063		1,853,063
Contributed capital . . . . .					13,783				13,783
Retained earnings: unreserved . . . . .					34,224				34,224
<b>Fund balances:</b>									
Reserved for prepayments. . . . .	16,135								16,135
Reserved for debt service . . . . .			189,923						189,923
Reserved for tax revenue unavailable for appropriation . . . . .	940,000		135,000						1,075,000
Reserved for instructional materials. . . . .	81,050								81,050
Reserved for capital improvements . . . . .	62,573								62,573
Reserved for budget stabilization . . . . .	91,170								91,170
Unreserved-undesignated . . . . .	3,213,564	408,182	80,000	\$37,540		21,905			3,761,191
<b>Total equity and other credits. . . . .</b>	<b>4,404,492</b>	<b>408,182</b>	<b>404,923</b>	<b>37,540</b>	<b>48,007</b>	<b>21,905</b>	<b>1,853,063</b>		<b>7,178,112</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$9,179,255</b>	<b>\$471,200</b>	<b>\$1,023,426</b>	<b>\$37,540</b>	<b>\$81,414</b>	<b>\$30,280</b>	<b>\$1,853,063</b>	<b>\$5,835,547</b>	<b>\$18,511,725</b>

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

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$5,941,405		\$646,714			\$6,588,119
Tuition . . . . .	41,366					41,366
Earnings on investments . . . . .	300,436			\$3,770	\$421	304,627
Other local revenues . . . . .	12,567	\$51,338			500	64,405
Intergovernmental - State . . . . .	1,490,526	353,989	47,456			1,891,971
Intergovernmental - Federal . . . . .	792	259,151				259,943
<b>Total revenue . . . . .</b>	<b>7,787,092</b>	<b>664,478</b>	<b>694,170</b>	<b>3,770</b>	<b>921</b>	<b>9,150,431</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	2,324,765	175,681				2,500,446
Special . . . . .	391,779	160,916				552,695
Vocational . . . . .	65,355					65,355
Support services:						
Pupil . . . . .	250,001	38,919				288,920
Instructional staff . . . . .	345,528	239,830				585,358
Board of Education . . . . .	25,320					25,320
Administration . . . . .	653,306					653,306
Fiscal . . . . .	210,877		10,211			221,088
Business . . . . .	118,287					118,287
Operations and maintenance . . . . .	666,213	4,622				670,835
Pupil transportation . . . . .	47,707					47,707
Central . . . . .	5,096					5,096
Extracurricular activities . . . . .	192,371	58,021			1,539	251,931
Facilities services . . . . .	2,400					2,400
Debt service:						
Principal retirement . . . . .			285,000			285,000
Interest and fiscal charges . . . . .	55,957		372,020			427,977
<b>Total expenditures . . . . .</b>	<b>5,354,962</b>	<b>677,989</b>	<b>667,231</b>		<b>1,539</b>	<b>6,701,721</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	2,432,130	(13,511)	26,939	3,770	(618)	2,448,710
Other financing sources (uses):						
Operating transfers in . . . . .		31,250	22,519			53,769
Operating transfers out . . . . .	(22,519)			(31,250)		(53,769)
<b>Total other financing sources (uses) . . . . .</b>	<b>(22,519)</b>	<b>31,250</b>	<b>22,519</b>	<b>(31,250)</b>		<b>0</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	2,409,611	17,739	49,458	(27,480)	(618)	2,448,710
Fund balance, July 1 . . . . .	1,994,881	390,443	355,465	65,020	22,523	2,828,332
Fund balance, June 30 . . . . .	\$4,404,492	\$408,182	\$404,923	\$37,540	\$21,905	\$5,277,042

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

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE, 1999

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds			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)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
<b>From local sources:</b>															
Taxes.....	\$5,783,474	\$5,686,450	(\$97,024)				\$141,245	\$608,407	\$467,162				\$5,924,719	\$6,294,857	\$370,138
Tuition.....	41,488	41,366	(122)										41,488	41,366	(122)
Earnings on investments.....	301,323	300,436	(887)	\$48,809	\$45,579	(\$3,230)				\$171,972	\$3,770	(\$168,202)	522,104	349,785	(172,319)
Other local revenues.....	9,194	9,167	(27)	6,168	5,760	(408)							15,362	14,927	(435)
Intergovernmental - State.....	1,492,469	1,488,076	(4,393)	355,861	353,989	(1,872)	12,685	47,456	34,771				1,861,015	1,889,521	28,506
Intergovernmental - Federal.....	794	792	(2)	357,464	343,150	(14,314)							358,258	343,942	(14,316)
<b>Total revenues.....</b>	<b>7,628,742</b>	<b>7,526,287</b>	<b>(102,455)</b>	<b>768,302</b>	<b>748,478</b>	<b>(19,824)</b>	<b>153,930</b>	<b>655,863</b>	<b>501,933</b>	<b>171,972</b>	<b>3,770</b>	<b>(168,202)</b>	<b>8,722,946</b>	<b>8,934,398</b>	<b>211,452</b>
<b>Expenditures:</b>															
<b>Current:</b>															
<b>Instruction:</b>															
Regular.....	2,906,926	2,277,751	629,175	152,256	157,903	(5,647)							3,059,182	2,435,654	623,528
Special.....	415,399	388,724	26,675	354,426	160,418	194,008							769,825	549,142	220,683
Vocational.....	65,273	64,620	653										65,273	64,620	653
<b>Support services:</b>															
Pupil.....	1,023,823	280,611	743,212	33,573	35,828	(2,255)							1,057,396	316,439	740,957
Instructional staff.....	376,980	347,132	29,848	304,473	236,499	67,974							681,453	583,631	97,822
Board of Education.....	28,582	24,686	3,896										28,582	24,686	3,896
Administration.....	678,173	661,224	16,949										678,173	661,224	16,949
Fiscal.....	221,595	218,396	3,199				4,155	10,960	(6,805)				225,750	229,356	(3,606)
Business.....	126,298	118,287	8,011										126,298	118,287	8,011
Operations and maintenance.....	740,534	673,517	67,017	4,319	4,319	0				32,250		32,250	777,103	677,836	99,267
Pupil transportation.....	49,270	50,319	(1,049)										49,270	50,319	(1,049)
Central.....	6,975	5,096	1,879										6,975	5,096	1,879
Extracurricular activities.....	222,154	193,109	29,045	57,799	58,021	(222)							279,953	251,130	28,823
Facilities services.....	3,500	2,400	1,100										3,500	2,400	1,100
<b>Debt service:</b>															
Principal retirement.....		1,500,000	(1,500,000)				684,433	295,000	389,433				684,433	1,795,000	(1,110,567)
Interest and fiscal charges.....	78,476	78,476					159,427	339,501	(180,074)				159,427	417,977	(258,550)
<b>Total expenditures.....</b>	<b>6,865,482</b>	<b>6,884,348</b>	<b>(18,866)</b>	<b>906,846</b>	<b>652,988</b>	<b>253,858</b>	<b>848,015</b>	<b>645,461</b>	<b>202,554</b>	<b>32,250</b>		<b>32,250</b>	<b>8,652,593</b>	<b>8,182,797</b>	<b>469,796</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>763,260</b>	<b>641,939</b>	<b>(121,321)</b>	<b>(138,544)</b>	<b>95,490</b>	<b>234,034</b>	<b>(694,085)</b>	<b>10,402</b>	<b>704,487</b>	<b>139,722</b>	<b>3,770</b>	<b>(135,952)</b>	<b>70,353</b>	<b>751,601</b>	<b>681,248</b>
<b>Other financing sources (uses):</b>															
Proceeds of sale of note.....	1,504,428	1,500,000	(4,428)										1,504,428	1,500,000	(4,428)
Advances-in and not repaid.....	12,045	12,010	(35)										12,045	12,010	(35)
Advances-out and not repaid.....	(20,104)	(20,621)	(517)	(7,010)	(12,010)	(5,000)							(27,114)	(32,631)	(5,517)
Refund of prior year's expenditures.....	3,410	3,400	(10)										3,410	3,400	(10)
Operating transfers in.....				33,210	31,250	(1,960)	421,932		(421,932)				455,142	31,250	(423,892)
Operating transfers (out).....	(10,000)		10,000							(35,000)	(31,251)	3,749	(45,000)	(31,251)	(13,749)
<b>Total other financing sources (uses).....</b>	<b>1,489,779</b>	<b>1,494,789</b>	<b>5,010</b>	<b>26,200</b>	<b>19,240</b>	<b>(6,960)</b>	<b>421,932</b>		<b>(421,932)</b>	<b>(35,000)</b>	<b>(31,251)</b>	<b>3,749</b>	<b>1,902,911</b>	<b>1,482,778</b>	<b>(420,133)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....</b>	<b>2,253,039</b>	<b>2,136,728</b>	<b>(116,311)</b>	<b>(112,344)</b>	<b>114,730</b>	<b>227,074</b>	<b>(272,153)</b>	<b>10,402</b>	<b>282,555</b>	<b>104,722</b>	<b>(27,481)</b>	<b>(132,203)</b>	<b>1,973,264</b>	<b>2,234,379</b>	<b>261,115</b>
<b>Fund balance, July 1.....</b>	<b>1,462,533</b>	<b>1,462,533</b>	<b>0</b>	<b>356,471</b>	<b>356,471</b>	<b>0</b>	<b>230,618</b>	<b>230,618</b>	<b>0</b>	<b>65,020</b>	<b>65,020</b>	<b>0</b>	<b>2,114,642</b>	<b>2,114,642</b>	<b>0</b>
<b>Fund balance, June 30.....</b>	<b>3,715,572</b>	<b>3,599,261</b>	<b>(116,311)</b>	<b>244,127</b>	<b>471,201</b>	<b>227,074</b>	<b>(41,535)</b>	<b>241,020</b>	<b>282,555</b>	<b>169,742</b>	<b>37,539</b>	<b>(132,203)</b>	<b>4,087,906</b>	<b>4,349,021</b>	<b>261,115</b>

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

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	
Operating revenues:		
Tuition and fees . . . . .	\$27,160	\$27,160
Sales/charges for services . . . . .	104,771	104,771
Other operating revenues . . . . .	<u>54,066</u>	<u>54,066</u>
 Total operating revenues . . . . .	 185,997	 185,997
Operating expenses:		
Personal services . . . . .	147,982	147,982
Contract services . . . . .	36,651	36,651
Materials and supplies . . . . .	93,378	93,378
Depreciation . . . . .	4,732	4,732
Other . . . . .	<u>2,355</u>	<u>2,355</u>
 Total operating expenses . . . . .	 285,098	 285,098
 Operating loss . . . . .	 (99,101)	 (99,101)
Nonoperating revenues:		
Operating grants . . . . .	86,477	86,477
Federal commodities . . . . .	<u>15,694</u>	<u>15,694</u>
 Total nonoperating revenues . . . . .	 <u>102,171</u>	 <u>102,171</u>
 Net income . . . . .	 3,070	 3,070
Retained earnings, July 1 . . . . .	<u>31,154</u>	<u>31,154</u>
Retained earnings, June 30 . . . . .	<u>\$34,224</u>	<u>\$34,224</u>

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

**LOCKLAND CITY SCHOOL DISTRICT**  
**HAMILTON COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$27,286
Cash received from sales/service charges . . . . .	104,771
Cash received from other operations . . . . .	47,132
Cash payments for personal services . . . . .	(143,840)
Cash payments for contract services . . . . .	(36,651)
Cash payments supplies and materials . . . . .	(76,638)
Cash payments for other expenses . . . . .	(2,355)
Net cash used in operating activities. . . . .	(80,295)
Cash flows from noncapital financing activities:	
Cash received from operating grants. . . . .	86,141
Net cash provided by noncapital financing activities. . . . .	86,141
Net increase in cash and cash equivalents . . . . .	5,846
Cash and cash equivalents at beginning of year. . . . .	19,898
Cash and cash equivalents at end of year . . . . .	\$25,744
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	(\$99,101)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	4,732
Federal donated commodities . . . . .	15,694
Changes in assets and liabilities:	
Decrease in supplies inventory . . . . .	1,784
Increase in accounts receivable. . . . .	(6,808)
Increase in accrued wages & benefits . . . . .	3,453
Increase in compensated absences payable. . . . .	496
Increase in pension obligation payable. . . . .	193
Decrease in deferred revenue. . . . .	(738)
Net cash used in operating activities . . . . .	(\$80,295)

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

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

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

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

The District ranks as the 563rd largest by enrollment among the 612 districts in the State. It currently operates 2 elementary schools and 1 comprehensive high school. The District employs 29 non-certified and 63 certified (including administrative) full-time and part-time employees to provide services to approximately 751 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Reporting Entity**

The reporting entity is comprised of the primary government. The primary government consisted of all funds, departments, boards and agencies that are not legally separate from the District. The District has no component units. The following organizations are described due to their relationship with the District.

*Jointly Governed Organization*

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

*Public Entity Risk Pool*

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

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

*PROPRIETARY FUNDS*

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

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

*FIDUCIARY FUNDS*

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. The Expendable Trust Fund is accounted for in essentially the same manner as Governmental funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

*ACCOUNT GROUPS*

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental 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 (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust and Agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999 in the following amounts:

	<u>Increase</u>	<u>Decrease</u>
General Fund		\$(704,072)
Special Revenue Funds	\$ 7,938	
Debt Service Fund	192,845	
Capital Projects Funds	27,250	
Enterprise Funds	40,303	

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**E. Cash and Investments**

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

During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and mutual funds, both of which are reported at fair value, which is based upon quoted market prices.

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, 1999.

The Board of Education allocates investment earnings to the General fund, the Building Fund, and the Expendable Trust fund, in accordance with Ohio statute. Interest revenue credited to the General fund during fiscal 1999 totaled \$300,436, which included \$62,018 assigned from other funds of the District. Interest revenue credited to the Building fund during fiscal 1999 totaled \$3,770, which included \$518 assigned from other funds of the District.

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

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

**F. Inventory**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**G. Prepayments**

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

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 or a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**I. Intergovernmental Revenues**

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

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services  
Goals 2000  
Teacher Development  
Summer Youth Employment  
Management Information Systems  
Eisenhower Math and Science  
Title VI-B  
Title I  
Title VI

Special Revenue Funds - (Continued)

Drug-Free School  
Preschool for the Handicapped  
Instructional Material Subsidy

Capital Projects Funds

SchoolNet

Reimbursable Grants

General Fund

School Bus Purchases  
Driver Education  
Vocational Education Travel/Subsidy

Special Revenue Fund

Perkins Vocational  
Career Development

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to over 23% of the District's operating revenue during the 1999 fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**J. Compensated Absences**

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

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

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

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

**K. Long-Term Obligations**

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. 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.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**L. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for debt service, prepayments, tax revenue unavailable for appropriation, budget stabilization, capital improvements, and instructional materials. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**M. Interfund Transactions**

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

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

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

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

**N. Statutory Reserves**

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity 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	\$ 0	\$ 0	\$34,352	\$ 34,352
Current year set-aside requirement	113,964	113,964	56,818	284,746
Current year offsets	(12,293)	0	0	(12,293)
Qualifying disbursements	<u>(20,621)</u>	<u>(51,391)</u>	<u>0</u>	<u>72,012)</u>
Total	<u>81,050</u>	<u>62,573</u>	<u>91,170</u>	<u>234,793</u>
Cash balance carried forward to FY 2000	<u>\$ 81,050</u>	<u>\$ 62,573</u>	<u>\$91,170</u>	<u>\$234,793</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for instructional materials	\$81,050
Amount restricted for budget stabilization	91,170
Amount restricted for capital acquisition	<u>62,573</u>
Total restricted assets	<u>\$234,793</u>

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments, or private sources provided to Proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**P. Financial Reporting for Proprietary Funds**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Restricted Assets**

Certain assets of the General fund are classified as restricted assets because their use is completely restricted by State legislation.

**R. Estimates**

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

**S. Memorandum Only - Total Columns**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
JTPA	\$ (1,471)
Title VI-B	(2,204)
Drug-Free School	(1,200)
EHA Preschool Grants	(1,716)
Miscellaneous Federal Grants	(5,771)
 <u>Enterprise Funds</u>	
Food Service	(59,949)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**B. Legal Compliance**

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

<u>Fund Type/Fund/Function</u>	<u>Excess</u>
<u>General</u>	
Pupil Transportation	\$ 1,049
Transfers Out	1,568,478
Principal Retirement	1,500,000
Interest and Fiscal Charges	78,476
 <u>Special Revenue Funds</u>	
<u>District Managed Activity Fund</u>	
Extracurricular Activities	4,998
<u>Title VI-B</u>	
Special Instructions	276
Pupil Support	1,005
Advances Out	5,000
<u>Title I</u>	
Special Instruction	241
<u>Drug-Free School</u>	
Pupil Support	1,227
EHA Preschool Grants	

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

Special Instruction	6,650
Miscellaneous Federal Grants	
Regular Instruction	11,768
<u>Debt Service Fund</u>	
Fiscal Support	6,805
Interest	180,074

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

2. The following fund had appropriations in excess of estimated revenues plus available balances for the fiscal year ended June 30, 1999:

<u>Fund Type/Fund</u>	<u>Excess</u>
Debt Service Fund	\$41,534

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

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

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

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

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$69,831 and the bank balance was \$170,378 (excluding the payroll clearance account). Of the bank balance:

1. \$100,000 was covered by federal deposit insurance.
2. \$70,378 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio and Mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
Not Subject to Categorization:	
Mutual Funds	\$ 725,423
Investment in State	
Treasurer's Investment Pool	<u>3,609,791</u>
 Total Investments	 <u>\$4,335,214</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

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

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

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,405,045	
Investments of the Cash Management Pool:		
Mutual Funds	(725,423)	\$ 725,423
State Treasurer's Investment Pool	<u>(3,609,791)</u>	<u>3,609,791</u>
GASB Statement No. 3	<u>\$ 69,831</u>	<u>\$4,335,214</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$(22,519)
<u>Special Revenue Funds</u>		
DPIA	\$31,250	
Debt Service Fund	22,519	
<u>Capital Project Funds</u>		
SchoolNet	<u>                    </u>	<u>(31,250)</u>
Total	<u>\$53,769</u>	<u>\$(53,769)</u>

**NOTE 6 - PROPERTY TAXES**

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

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



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$118,667,800. Agricultural/Residential and public utility real estate represented 20.41% or \$24,219,380 of this total; Commercial & Industrial real estate represented 20.54% or \$24,379,590; public utility tangible 7.86% or \$9,333,830; and general tangible property 51.19% or \$60,735,000. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$46.90 per \$1,000.00 of assessed valuation, and \$6.87 per \$1,000.00 of assessed valuation for debt service.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which were measurable as of June 30, 1999. Although total property taxes receivable at year end are measurable, they are not (exclusive of advances) available and intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and student fees), intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year) and interfund loan receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 7 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$5,561,409
Due From Other Governments	2,450
 <u>Debt Service Fund</u>	
Taxes - Current & Delinquent	782,406
 <u>Enterprise Funds</u>	
Accounts	16,000

**NOTE 8 - FIXED ASSETS**

The following changes occurred in the General Fixed Assets Account Group during the year:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/Improvement	\$ 217,515			\$ 217,515
Furniture/Equipment	1,231,425	\$73,324	\$(505,052)	799,697
Buildings	734,502			734,502
Vehicles	<u>101,349</u>	_____	_____	<u>101,349</u>
Total	<u>\$2,284,791</u>	<u>\$73,324</u>	<u>\$(505,052)</u>	<u>\$1,853,063</u>

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

Furniture and Equipment	\$132,482
Less: Accumulated Depreciation	<u>(94,398)</u>
Net Fixed Assets	<u>\$ 38,084</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**NOTE 9 - LONG-TERM DEBT**

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

The following is a description of the Lockland City School District energy conservation note outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Principal Maturity Date</u>	<u>Outstanding 7/01/98</u>	<u>Principal Retired In Fiscal 1999</u>	<u>Principal Outstanding 06/30/99</u>
Energy Conservation Note	4.05%	6/30/93	6/30/03	<u>\$50,000</u>	<u>\$10,000</u>	<u>\$40,000</u>
				<u>\$50,000</u>	<u>\$10,000</u>	<u>\$40,000</u>

B. All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations for the District for which the full faith and credit of the District are pledged for repayment. Accordingly, these bonds are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 6.87 mill bonded debt tax levy.

The following is a description of the Lockland City School District general obligation bond outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Outstanding 7/01/98</u>	<u>Principal Retired In Fiscal 1999</u>	<u>Principal Outstanding 06/30/99</u>
Construction and Renovation	9.75%	12/15/90	6/1/16	<u>\$5,590,000</u>	<u>\$275,000</u>	<u>\$5,315,000</u>
				<u>\$5,590,000</u>	<u>\$275,000</u>	<u>\$5,315,000</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

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

C. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes and General Obligation Bonds</u>	<u>Interest on Energy Conservation Notes and General Obligation Bonds</u>	<u>Total</u>
2000	\$ 320,000	\$ 354,315	\$ 674,315
2001	355,000	334,165	689,165
2002	400,000	311,185	711,185
2003	310,000	288,400	598,400
2004	300,000	267,400	567,400
2005-2009	1,475,000	1,022,875	2,497,875
2010-2014	1,375,000	527,625	1,902,625
2015-2017	<u>820,000</u>	<u>85,750</u>	<u>905,750</u>
Total	<u>\$5,355,000</u>	<u>\$3,191,715</u>	<u>\$8,546,715</u>

D. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated Absences				
Sick Leave				
(severance)	\$ 374,921	\$18,807	\$ (8,993)	\$ 384,735
Vacation	60,334	38,814	(5,622)	93,526
Pension Obligation Payable	1,726	2,286	(1,726)	2,286
General Obligation Bonds	5,590,000		(275,000)	5,315,000
Energy Conservation				
Notes	<u>50,000</u>		<u>(10,000)</u>	<u>40,000</u>
TOTAL	<u>\$6,076,981</u>	<u>\$59,907</u>	<u>\$(301,341)</u>	<u>\$5,835,547</u>

E. Legal Debt Margin

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

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

The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$5,770,025 (including available funds of \$404,923) and an unvoted debt margin of \$118,668.

**NOTE 10 - NOTES PAYABLE**

In the current fiscal year, the District issued and retired a tax anticipation note for the purpose of paying current expenses. This note is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The following is a description of the District's notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Principal Outstanding 06/30/98</u>	<u>Issued During 1999</u>	<u>Principal Retired In 1999</u>	<u>Outstanding 06/30/99</u>
Tax Anticipation Note	4.28%	09/01/98	06/30/99	<u>\$ 0</u>	<u>\$1,500,000</u>	<u>\$(1,500,000)</u>	<u>\$ 0</u>

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Service, Uniform School Supplies, and the Latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey Program</u>	<u>Total</u>
Operating revenue	\$ 104,771	\$ 9,458	\$71,768	\$185,997
Depreciation	2,963		1,769	4,732
Operating income (loss)	(152,492)	9,458	43,933	(99,101)
Operating grants	86,477			86,477
Net income	(50,321)	9,458	43,933	3,070
Net working capital	(60,636)	16,169	65,822	21,355
Total assets	(14,064)	16,169	79,309	81,414
Long-term liabilities payable from fund revenues	11,432			11,432
Contributed capital	13,783			13,783
Total equity	(46,166)	16,169	78,004	48,007

**NOTE 12 - RISK MANAGEMENT**

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

During fiscal year 1999, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a \$1 million per occurrence/\$5 million annual aggregate limitation.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 12 - RISK MANAGEMENT**

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee 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 financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$122,152, \$129,944, and \$118,497, respectively; 88 percent has been contributed for fiscal year 1999, and 100 percent for 1998 and 1997. \$14,891, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS - (Continued)**

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$402,923, \$457,788, and \$394,678, respectively; 92 percent has been contributed for fiscal year 1999, and 100 percent for fiscal year 1998 and 1997. \$34,430, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**B. Social Security System**

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$230,242 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 million and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 million and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$53,829 during the 1999 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Budget Basis	\$ 2,136,728	\$114,730	\$ 10,402	\$(27,481)
Net Adjustment for Revenue Accruals	260,805	(84,000)	38,307	
Net Adjustment for Expenditure Accruals	1,529,386	(25,001)	(21,770)	
Net Adjustment for Other Financing Sources/(Uses)	<u>(1,517,308)</u>	<u>12,010</u>	<u>22,519</u>	<u>1</u>
GAAP Basis	<u>\$ 2,409,611</u>	<u>\$ 17,739</u>	<u>\$ 49,458</u>	<u>\$(27,480)</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. School Funding Decision/Subsequent Event**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received total support of \$1,001,779.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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. As of June 30, 1999, 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 these financial statements, the District is unable to determine what effect, if any, this ongoing legislation will have on its future state funding under this program and on its financial operations.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 16 - CONTINGENCIES - (Continued)**

**D. Significant Subsequent Event**

On December 15, 1999, the Board authorized the issuance of School Improvement Refunding Bonds not to exceed the amount of \$5,005,000.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$15,390	\$0	\$15,694
School Breakfast Program	05PU-99	10.553	11,824	0	11,824	0
National School Lunch Program	03PU-98/99 04PU-98/99	10.555	9,334 <u>57,179</u>	0 <u>0</u>	9,334 <u>57,179</u>	0 <u>0</u>
Total National School Lunch Program			<u>66,513</u>	<u>0</u>	<u>66,513</u>	<u>0</u>
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<u>78,337</u>	<u>15,390</u>	<u>78,337</u>	<u>15,694</u>
<b>U.S. DEPARTMENT OF LABOR</b>						
Employment and Training Assistance (Summer Youth Employment Training)	None	17.246	4,343	0	4,319	0
<b>Total Department of Labor</b>			<u>4,343</u>	<u>0</u>	<u>4,319</u>	<u>0</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-97/98	84.027	68,556	0	68,556	0
Special Education - Preschool Grant	PGS1-98	84.173	2,028	0	11,798	0
Total Special Education Cluster			70,584	0	80,354	0
Grants to Local Educational Agencies (Title I)	C1S1-98/99	84.010	211,620	0	148,862	0
Vocational Education (Carl Perkins)	None	84.048	1,994	0	1,653	0
Goals 2000 State and Local Education Systemic Improvement	G2S1-98	84.276	36,900	0	41,923	0
Innovative Education Program Strategies	C2S1-99	84.298	2,961	0	3,160	0
Drug-Free Schools Grant	DRS1-99	84.186	10,250	0	11,477	0
Eisenhower Professional Development Grant	MSS1-99	84.281	4,498	0	1,286	0
Total Department of Education			<u>338,807</u>	<u>0</u>	<u>288,715</u>	<u>0</u>
<b>Totals</b>			<u>\$421,487</u>	<u>\$15,390</u>	<u>\$371,371</u>	<u>\$15,694</u>

Notes to the Schedule of Federal Awards Expenditures -

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

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

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

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

To the Board of Education:

We have audited the financial statements of Lockland City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated March 16, 2000. 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.

**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*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 16, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10431-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

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 16, 2000.

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

**Jim Petro**  
Auditor of State

March 16, 2000





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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Lockland City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal 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. 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal 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 and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 16, 2000

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

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

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

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10431-001**

**Latchkey - (Internal Control, Reportable Condition)**

The District could not provide documentation to support the receipting of tuition charges. The District does not maintain ledgers or accounts receivable listings so therefore is not aware if all monies have been received.

- The District does not maintain a detailed ledger for all customers and does not show the amount owed.
- The receipts are prenumbered; however, they are not used in sequential order.

To improve accountability over latchkey revenues and reduce the chance of errors occurring and not being detected, the District should implement the following procedures:

- A subsidiary ledger should be maintained to account for the latchkey receipts. This ledger should include the customer's name, amount billed, date paid, the amount of receipts collected and the amount outstanding for each customer's account;
- All entries should be posted in chronological order, reflect a month-to-date and year-to-date totals;
- The subsidiary ledger should be reconciled with deposits on a monthly basis.
- The customers should be given pre-numbered receipts that follow in a sequential order.
- All latchkey monies should be deposited within 24 hours after receipt.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 1999**

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid</b>
1998-10481-001	Lack of controls and accounting records over latchkey receipts	NO	Partially corrected as of fiscal year ending June 30, 1999. This finding was also in the fiscal year ending June 30, 1997 report.





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**LOCKLAND CITY SCHOOL DISTRICT**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2000**