

READING COMMUNITY CITY SCHOOL DISTRICT

General Purpose Financial Statements

Year Ended June 30, 1999

With

Independent Auditors' Report



Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

READING COMMUNITY CITY SCHOOL DISTRICT

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STATE OF OHIO
OFFICE OF THE AUDITOR

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To the Board of Education
Reading Community City School District

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

JIM PETRO
Auditor of State

January 4, 2000

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Reading Community City School District:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 1999 on our consideration of the Reading Community City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The year 2000 supplementary information on page 30 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do provide assurance that the School District is or will become year 2000 compliant, that the School District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the School District does business are or will become year 2000 compliant.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 15, 1999

READING COMMUNITY CITY SCHOOL DISTRICT

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	Internal Service	Trust & Agency	General Fixed Asset	General Long-Term Debt			
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$ 2,126,205	186,672	-	387,418	3,070	4,586	158,998	-	-	-	-	2,866,949
Cash with fiscal agent	-	-	7,195	-	-	-	-	-	-	-	-	7,195
Net receivables:												
Taxes	7,927,154	-	-	-	-	-	-	-	-	-	-	7,927,154
Accounts	688	1,659	-	-	-	-	-	-	-	-	-	2,347
Accrued interest	14,827	-	-	-	-	-	-	-	-	-	-	14,827
Notes	-	-	-	83,400	-	-	-	-	-	-	-	83,400
Intergovernmental	66,705	-	-	-	-	-	-	-	-	-	-	66,705
Prepayments	19,420	-	-	-	-	-	-	-	-	-	-	19,420
Restricted assets:												
Cash and cash equivalents	133,696	-	-	-	-	-	-	-	-	-	-	133,696
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	-	-	-	4,871,198	-	-	-	4,871,198
OTHER DEBITS:												
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	992,557	-	992,557
Total assets and other debits	\$ 10,288,695	188,331	7,195	470,818	3,070	4,586	158,998	4,871,198	992,557	992,557	16,985,448	

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

READING COMMUNITY CITY SCHOOL DISTRICT

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	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General	General Fixed Asset	Long-Term Debt	General	
LIABILITIES, EQUITY AND OTHER CREDITS														
LIABILITIES:														
Accounts payable	\$ 73,047	40,533	-	-	-	-	-	6,025	-	-	-	-	-	119,605
Accrued wages and benefits	635,716	28,974	-	-	-	-	-	-	-	-	-	-	-	664,690
Pension obligation payable	146,985	5,879	-	-	-	-	-	-	-	-	48,492	-	-	201,356
Compensated absences payable	115,497	-	-	-	-	-	-	-	-	-	841,248	-	-	956,745
Deferred revenue	5,782,154	-	-	83,400	-	-	-	-	-	-	-	-	-	5,865,554
Matured bonds and interest payable	-	-	7,195	-	-	-	-	-	-	-	-	-	-	7,195
Due to student groups	-	-	-	-	-	-	-	37,303	-	-	-	-	-	37,303
Due to others	-	-	-	-	-	-	-	10,671	-	-	-	-	-	10,671
Capital leases payable	-	-	-	-	-	-	-	-	-	-	102,817	-	-	102,817
Total liabilities	6,753,399	75,386	7,195	83,400	-	-	-	53,999	-	-	992,557	-	-	7,965,936
EQUITY AND OTHER CREDITS														
Investments in general fixed assets	-	-	-	-	-	-	-	-	-	4,871,198	-	-	-	4,871,198
Retained earnings	-	-	-	-	3,070	4,586	-	-	-	-	-	-	-	7,656
Fund balances:														
Reserved for:														
Encumbrances	145,208	48,590	-	-	-	-	-	-	-	-	-	-	-	193,798
Budget stabilization	133,696	-	-	-	-	-	-	-	-	-	-	-	-	133,696
Prepayments	19,420	-	-	-	-	-	-	-	-	-	-	-	-	19,420
Property tax advances	2,145,000	-	-	-	-	-	-	-	-	-	-	-	-	2,145,000
Principal endowment	-	-	-	-	-	-	-	85,500	-	-	-	-	-	85,500
Unreserved - undesignated	1,091,972	64,355	-	387,418	-	-	-	19,499	-	-	-	-	-	1,563,244
Total equity and other credits	3,535,296	112,945	-	387,418	3,070	4,586	-	104,999	-	4,871,198	-	-	-	9,019,512
Total liabilities, equity and other credits	\$ 10,288,695	188,331	7,195	470,818	3,070	4,586	-	158,998	-	4,871,198	992,557	-	-	16,985,448

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

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$ 8,230,966	-	-	-	-	8,230,966
Tuition	113,649	-	-	-	-	113,649
Earnings on investments	204,295	6,967	-	-	819	212,081
Other local revenue	69,945	59,360	25,140	37,648	6,098	198,191
Intergovernmental - state	2,114,170	638,168	-	-	-	2,752,338
Intergovernmental - federal	-	268,354	-	-	-	268,354
Total revenues	<u>10,733,025</u>	<u>972,849</u>	<u>25,140</u>	<u>37,648</u>	<u>6,917</u>	<u>11,775,579</u>
Expenditures:						
Instruction:						
Regular	4,163,664	49,557	-	-	-	4,213,221
Special	1,044,583	135,426	-	-	-	1,180,009
Vocational education	140,269	-	-	-	-	140,269
Other	25,245	391	-	-	-	25,636
Support services:						
Pupil	545,540	36,463	-	-	-	582,003
Instructional staff	493,888	90,023	-	-	-	583,911
General administration	51,699	-	-	-	-	51,699
School administration	969,658	9,047	-	-	-	978,705
Fiscal	308,298	-	-	-	-	308,298
Business	38,578	-	-	-	-	38,578
Operations and maintenance	863,470	-	-	-	-	863,470
Pupil transportation	138,886	15,125	-	-	-	154,011
Central	160,918	-	-	45,833	-	206,751
Community services	2,148	590,281	-	-	-	592,429
Extracurricular activities	212,402	64,147	-	-	-	276,549
Facilities acquisition and construction	-	-	-	50,270	-	50,270
Debt Service:						
Principal	72,054	-	24,000	-	-	96,054
Interest	3,138	-	1,140	-	-	4,278
Total expenditures	<u>9,234,438</u>	<u>990,460</u>	<u>25,140</u>	<u>96,103</u>	<u>-</u>	<u>10,346,141</u>
Excess of revenues over (under) expenditures	1,498,587	(17,611)	-	(58,455)	6,917	1,429,438
Other financing sources (uses):						
Sale of assets	-	-	-	4,400	-	4,400
Operating transfers in	-	38,000	-	-	-	38,000
Operating transfers out	(50,100)	-	-	-	-	(50,100)
Other financing sources	361	-	-	-	-	361
Total other financing sources (uses)	<u>(49,739)</u>	<u>38,000</u>	<u>-</u>	<u>4,400</u>	<u>-</u>	<u>(7,339)</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	1,448,848	20,389	-	(54,055)	6,917	1,422,099
Fund balance, beginning of year	2,086,448	92,556	-	441,473	9,213	2,629,690
Fund balance, end of year	\$ <u>3,535,296</u>	<u>112,945</u>	<u>-</u>	<u>387,418</u>	<u>16,130</u>	<u>4,051,789</u>

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

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

For the Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 7,637,584	7,796,197	158,613	-	-	-
Tuition	22,650	47,454	24,804	-	-	-
Earnings on investments	175,000	194,906	19,906	7,792	6,967	(825)
Other local revenues	107,650	87,291	(20,359)	60,945	57,800	(3,145)
Intergovernmental - state and local	2,004,120	2,123,211	119,091	635,028	635,028	-
Intergovernmental - federal	11,000	7,980	(3,020)	287,089	271,792	(15,297)
Total revenues	9,958,004	10,257,039	299,035	990,854	971,587	(19,267)
Expenditures:						
Current:						
Instruction:						
Regular	4,309,726	4,178,153	131,573	58,157	50,518	7,639
Special	1,108,390	1,025,431	82,959	166,267	136,030	30,237
Vocational	144,623	140,069	4,554	-	-	-
Other	44,407	42,078	2,329	391	391	-
Support services:						
Pupil	635,454	543,925	91,529	57,664	42,652	15,012
Instructional staff	538,123	482,822	55,301	95,063	85,647	9,416
General administration	428,657	400,902	27,755	9,047	2,000	7,047
School administration	638,886	617,176	21,710	-	7,046	(7,046)
Fiscal	322,833	312,439	10,394	-	-	-
Business	72,353	57,164	15,189	-	-	-
Operations and maintenance	1,026,486	940,567	85,919	200	-	200
Pupil transportation	137,876	137,850	26	24,387	14,218	10,169
Central	293,332	259,598	33,734	5,000	5,000	-
Facilities acquisition and construction	-	-	-	-	-	-
Community services	6,088	3,731	2,357	649,035	641,447	7,588
Extracurricular activities	229,697	212,871	16,826	72,923	62,407	10,516
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	9,936,931	9,354,776	582,155	1,138,134	1,047,356	90,778
Excess of revenues over (under) expenditures	<u>21,073</u>	<u>902,263</u>	<u>881,190</u>	<u>(147,280)</u>	<u>(75,769)</u>	<u>71,511</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	34,000	38,000	4,000
Operating transfers (out)	(157,500)	(50,100)	107,400	-	-	-
Sale of assets	-	-	-	-	-	-
Refund of prior year receipts	(2,000)	-	2,000	-	-	-
Refund of prior year expenditures	-	841	841	-	202	202
Total other financing sources (uses)	(159,500)	(49,259)	110,241	34,000	38,202	4,202
Excess of revenues and other sources over (under) expenditures and other (uses)	<u>(138,427)</u>	<u>853,004</u>	<u>991,431</u>	<u>(113,280)</u>	<u>(37,567)</u>	<u>75,713</u>
Fund balance, beginning of year	1,156,327	1,156,327		120,349	120,349	
Prior year encumbrances appropriated	80,353	80,353		16,958	16,958	
Fund balance, end of year	\$ 1,098,253	2,089,684		24,027	99,740	

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	500	819	319
25,140	25,140	-	33,648	33,648	-	-	1,623	1,623
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
25,140	25,140	-	33,648	33,648	-	500	2,442	1,942
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	45,833	45,833	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	122,318	50,651	71,667	-	-	-
-	-	-	-	-	-	1,759	1,453	306
-	-	-	-	-	-	-	-	-
24,000	24,000	-	-	-	-	-	-	-
1,140	1,140	-	-	-	-	-	-	-
25,140	25,140	-	168,151	96,484	71,667	1,759	1,453	306
-	-	-	(134,503)	(62,836)	71,667	(1,259)	989	2,248
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	4,400	4,400	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	4,400	4,400	-	-	-
-	-	-	(134,503)	(58,436)	76,067	(1,259)	989	2,248
-	-	-	423,536	423,536	-	14,642	14,642	-
-	-	-	22,318	22,318	-	500	500	-
-	-	-	311,351	387,418	-	13,883	16,131	-

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Charges for services	\$ 3,867	-	-	3,867
Earnings on investments	-	-	4,989	4,989
Total operating revenues	3,867	-	4,989	8,856
Operating expenses:				
Personnel services	2,570	-	-	2,570
Contractual services	535	-	-	535
Materials and supplies	1,151	-	-	1,151
Scholarship awards	-	-	7,275	7,275
Other expenses	229	-	-	229
Total operating expenses	4,485	-	7,275	11,760
Net loss	(618)	-	(2,286)	(2,904)
Retained earnings/fund balance, beginning of year	3,688	4,586	91,155	99,429
Retained earnings/fund balance, end of year	\$ 3,070	4,586	88,869	96,525

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

READING COMMUNITY CITY SCHOOL DISTRICT

Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Non- expendable Trust	(Memorandum Only)
Cash flows from operating activities:				
Cash received from customers	\$ 3,867	-	-	3,867
Cash payments for personal services	(2,576)	-	-	(2,576)
Cash payments for contract services	(535)	-	-	(535)
Cash payments for supplies and materials	(1,151)	-	-	(1,151)
Cash payments for other expenses	(229)	-	(5,300)	(5,529)
Interest received	-	-	4,989	4,989
Net cash used by operating activities	(624)	-	(311)	(935)
Net decrease in cash	(624)	-	(311)	(935)
Cash, beginning of year	3,694	4,586	94,455	102,735
Cash, end of year	3,070	4,586	94,144	101,800
Reconciliation of operating loss to to net cash used by operating activities:				
Operating loss	(618)	-	(2,286)	(2,904)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Changes in assets and liabilities:				
Decrease in accrued wages and benefits	(6)	-	-	(6)
Increase in accounts payable	-	-	1,975	1,975
Net cash used by operating activities	\$ (624)	-	(311)	(935)
Reconciliation of Nonexpendable Trust to Balance Sheet:				
Cash and cash equivalents - All Fiduciary Funds			\$ 158,998	
Cash and cash equivalents - Expendable Trust and Agency Funds			(64,854)	
Cash and cash equivalents - Nonexpendable Trust Fund			\$ 94,144	

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

READING COMMUNITY CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Reading Community City School District (the "School District") operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal guidelines. This Board controls the District's three instructional facilities staffed by 37 non-certified employees, 97 certificated teaching personnel and 8 administrative employees to provide services to approximately 1,400 students. Currently, the School District operates two elementary schools, Central and Hilltop, and Reading Jr./Sr. High School, which serves grades seven through twelve.

The School District was established in 1863 and was later organized under Section 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 School District serves an area of approximately 3.14 square miles including all of the City of Reading, a small area of the City of Evendale, and a portion of Sycamore Township. The City of Reading was incorporated as a village in 1851. It is located in southwest Ohio, in the north-central portion of Hamilton County.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with two organizations one of which is defined as a jointly governed organization and the other is an insurance purchasing pool. These organizations are Great Oaks Joint Vocational School and the Ohio School Boards Association Workers'

Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Reading Community City School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

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

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

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 expenditure for specified purposes.

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

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

Proprietary Fund Types:

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

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

Internal Service Fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds while nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, and accounts and grants.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 at any level of control. 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.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to certificates of deposit, the State Treasury Assets Reserve of Ohio (STAR Ohio) and United States Treasury securities. Investments are

reported at their fair value that is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 1999, the fair value of investments approximates cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

By policy of the Board, investment earnings are assigned to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance. The general fund was credited more interest than would have been received based upon its share of the School District's investments during fiscal year 1999.

For 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

Inventory

The year-end value of inventory of consumable supplies and materials was determined to be immaterial. Inventories are expensed when purchased rather than when used.

Prepays

Prepayments for governmental funds represent cash disbursements that 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 benefiting 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.

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Assets in the general fixed assets account group are not depreciated. The School District does not possess any infrastructure.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Auxiliary Services
- Education Management Information Systems
- Professional Development Block Grant
- Disadvantaged Pupil Impact Aid
- Eisenhower Grant
- Preschool Grant
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Goals 2000 Pacesetter

Capital Projects Funds

- School Net Plus

Reimbursable Grants

General Fund

- Driver Education
- Vocational Education Travel
- CAFS

Special Revenue Funds

- Job Training Partnership Act (JTPA)
- Career Development
- Carl Perkins Vocational Education

Grants and entitlements amounted to approximately twenty-six percent of the School District's operating revenue during the 1999 fiscal year.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees age fifty (50) or greater with at least ten (10) years of service or twenty (20) years of service at any age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

Estimates

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

Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, unamortized portion of prepaid expenditures, property taxes, principal endowment, and budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes.

Parochial Schools

Within the School District boundaries, Saints Peter and Paul Elementary, Sacred Heart Elementary, and Mount Notre Dame High School are operated through the Cincinnati Archdiocese. Current state and federal legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The receipt and expenditure of these state monies is reflected in a special revenue fund for financial reporting purposes.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (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 cash flows 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.

2. ACCOUNTABILITY

At June 30, 1999, the Title I special revenue fund had a deficit fund balance of \$4,214. This deficit was created by the application of generally accepted accounting principles. The General

Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Sources (Uses)
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 1,448,848	20,389	-	(54,055)	6,917
Revenue					
Accruals	(475,506)	(1,262)	-	(4,000)	(4,475)
Expenditure					
Accruals	49,879	30,235	--	(381)	(703)
Encumbrances	(170,217)	(86,929)	-	-	(750)
Budget Basis	<u>\$ 853,004</u>	<u>(37,567)</u>	<u>-</u>	<u>(58,436)</u>	<u>989</u>

4. DEPOSITS 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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 or deposit accounts including pass book accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was \$1,361,575 (including restricted cash) and the bank balance was \$1,480,242. Of the bank balance, \$290,000 was covered by federal depository insurance, \$1,130,104 was covered by surety bond insurance and \$60,138 was uninsured and uncollateralized as defined by GASB Statement 3. Although the securities serving as collateral were held by the pledging financial institution's trust department, but not in the School District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>
STAROhio	\$ -	1,139,165
U.S. Treasury Notes	499,905	499,905
GASB Statement No. 3	\$ <u>499,905</u>	<u>1,639,070</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,000,645	-
Investments:		
U.S. Treasury Notes	(499,905)	499,905
STAROhio	<u>(1,139,165)</u>	<u>1,139,165</u>
GASB Statement No. 3	\$ <u>1,361,575</u>	<u>1,639,070</u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last update was completed for tax year 1998. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The Hamilton County Treasurer collects property tax on behalf of the School District. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$2,145,000 in the General Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 141,386,210	70.69%	141,337,940	71.31%
Public Utility Personal Property	10,936,690	5.47%	11,312,010	5.71%
Tangible Personal Property	47,674,860	23.84%	45,525,660	22.98%
Total Assessed Value	<u>\$ 199,997,760</u>	<u>100.00%</u>	<u>198,175,610</u>	<u>100.00%</u>

6. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$ 252,600	-	-	252,600
Buildings and Improvements	2,370,661	-	-	2,370,661
Furniture, Fixtures and Equipment	2,042,541	216,671	11,275	2,247,937
Total General Fixed Assets	<u>\$ 4,665,802</u>	<u>216,671</u>	<u>11,275</u>	<u>4,871,198</u>

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District maintained comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

The School District provides life insurance and accidental death and dismemberment insurance to eligible employees through the Union Central Life Insurance Company. The School District has also elected to provide employee medical insurance through Choice Care, a health maintenance organization. All covered employees are required to contribute 10% toward the cost of the total monthly premium. The District also provides dental insurance coverage to its employees through Dental Care Plus. There are no required employee contributions toward the cost of this benefit.

8. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School 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 School District is required to contribute 14 percent; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$136,331, \$127,764, and \$128,184, respectively. 47% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 of \$72,738 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

State Teachers Retirement System

The School 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 basis 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 issued 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 School District is required to contribute 14 percent; 6.0 percent was the portion used to fund

pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$708,428, \$614,096, and \$639,753, respectively. 83% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 of \$121,768 is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

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

For STRS, most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1999, the Retirement Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$303,612 during the 1999 fiscal year. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and there were 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 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 1998, the minimum pay has been established at \$12,400. The surcharge rate 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. For the School District, this amount equaled \$55,345 during the 1999 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Bond 1997 4.75%	\$ 24,000	-	24,000	-
Pension Obligation Payable	42,448	48,492	42,448	48,492
Capital Leases	174,871	-	72,054	102,817
Compensated Absences	787,159	54,089	-	841,248
Total General Long-Term Obligations	<u>\$ 1,028,478</u>	<u>102,581</u>	<u>138,502</u>	<u>992,557</u>

The School District's voted legal debt margin was \$17,837,408 with an unvoted debt margin of \$198,193 at June 30, 1999.

12. CAPITALIZED LEASES - LESSEE

The School District is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the General Fixed Asset Account Group and related obligations are recorded in the General Long-Term Debt Account Group. The cost of the equipment acquired

by capital leases is \$241,714. Principal payments in fiscal year 1999 were \$72,504. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 1999.

	Year Ending June 30	
	<u>2000</u>	\$ 75,192
	2001	20,226
	2002	<u>11,075</u>
Minimum lease payments		106,493
Less: Amount representing interest		<u>(3,676)</u>
Present value of minimum lease payments		\$ <u>102,817</u>

13. SEGMENT INFORMATION FOR ENTERPRISE FUND

The School District maintains three enterprise funds to account for the operations of uniform school supply sales, an adult education program, and an after school student enrichment program. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Uniform School <u>Supplies</u>	After School	Adult Education	<u>Total</u>
Operating revenues	\$ 494	903	2,470	3,867
Operating expenses	838	870	2,777	4,485
Operating income (loss)	(344)	33	(307)	(618)
Net income (loss)	(344)	33	(307)	(618)
Net working capital	355	559	2,156	3,070
Total assets	355	559	2,156	3,070
Total equity	\$ 355	559	2,156	3,070

14. JOINTLY GOVERNED ORGANIZATIONS

Great Oaks Joint Vocation School District

The Great Oaks Joint Vocation School District, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. The School District has no ongoing financial interest in nor responsibility for the Joint Vocational School. To obtain financial information, write to the Treasurer's Office, Great Oaks Joint Vocational School District, 3254 E. Kemper Road, Cincinnati, Ohio 45241.

15. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

16. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 1999.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

17. REQUIRED SET-ASIDES

As required by State Statute, the School District created set-asides for textbooks, capital improvements and budget stabilization. Although the School District had qualifying

disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year. The following table reflects the set-aside activity during the year ended June 30, 1999:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ -	-	55,696	55,696
Current year set-aside requirement	153,660	153,660	78,000	385,320
Less qualifying disbursements	<u>223,671</u>	<u>226,989</u>	-	<u>450,660</u>
Total	<u>(70,011)</u>	<u>(73,329)</u>	<u>133,696</u>	
Cash balance carried forward to FY 2000	<u>-</u>	<u>-</u>	<u>133,696</u>	
Amount restricted for budget stabilization				<u>133,696</u>
Total restricted assets			\$	<u>133,696</u>

18. SCHOOL FUNDING DECISION

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$1,385,823 of school foundation support for its general fund and \$1,419,566 in total support for all funds.

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

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

Reading Community City School District
Unaudited Required Supplementary Information
For the Year Ended June 30, 1999

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being student management, financial reporting, and payroll.

The financial reporting systems has been assessed and remediated by the School District. Testing and validation will have to be completed prior to actually using the system.

The payroll system has been assessed, remediated, and tested and validated.

The student management system has been assessed and remediated. The system must still be tested and validated.

The School District has contracted with outside vendors for \$51,000 for remediation and purchases as of the end of the fiscal year.

Hamilton County collects property taxes for distribution to the School District. Hamilton County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

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

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

To the Board of Education
Reading Community City School District:

We have audited the financial statements of the Reading Community City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated October 15, 1999. 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 Reading Community City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of management, the 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 those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 15, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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READING COMMUNITY 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.

By: *Susan Babbitt*

Date: JANUARY 13, 2000