



**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Mariemont City School District
Hamilton County
6743 Chestnut Street
Mariemont, Ohio 45227

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Mariemont City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, 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 Mariemont City School District, Hamilton County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 22, 2001

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**MARIEMONT CITY SCHOOL DISTRICT, OHIO
HAMMILTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
	General Fund	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in pooled cash and investments	\$2,596,165	\$86,924	\$8,024,833	\$36,832
Receivables (net of allowances for uncollectibles)				
Taxes - current	10,862,304	0	0	0
Taxes - delinquent	293,719	0	0	0
Accounts	20,032	77	0	215
Accrued interest	0	0	2,449	0
Intergovernmental-state and local	3,500	0	0	0
Due from other funds	18,512	0	0	0
Materials and supplies inventory	0	0	0	5,810
Property, plant and equipment (net of accumulated depreciation, where applicable)	0	0	0	26,045
Restricted assets:				
Equity in pooled cash	280,645	0	0	0
Other debits:				
Amount to be provided for retirement of General Long-term Obligations	0	0	0	0
Total assets and other debits	\$14,074,877	\$87,001	\$8,027,282	\$68,902
LIABILITIES, EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts payable	\$9,120	\$1,107	\$0	\$0
Accrued wages and benefits	1,202,871	9,664	0	5,562
Due to other governments	287	0	0	0
Due to other funds	0	18,512	0	0
Due to student groups	0	0	0	0
Deferred revenue	7,714,950	0	0	2,746
Accrued interest payable	0	0	71,387	0
General obligation note payable	0	0	8,016,000	0
Pension obligation payable	266,494	3,188	0	1,287
Compensated absences payable	40,687	0	0	4,843
Obligation under capital leases	0	0	0	0
Total liabilities	9,234,409	32,471	8,087,387	14,438
Fund equity and other credits:				
Investment in general fixed assets	0	0	0	0
Retained earnings: unreserved	0	0	0	54,464
Fund Balances:				
Reserved-				
Reserved for encumbrances	129,270	671	0	0
Reserved for property tax advances	2,710,000	0	0	0
Reserved for budget stabilization	280,645	0	0	0
Unreserved-				
Undesignated	1,720,553	53,859	(60,105)	0
Total fund equity and other credits	4,840,468	54,530	(60,105)	54,464
Total liabilities, fund equity and other credits	\$14,074,877	\$87,001	\$8,027,282	\$68,902

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

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
	General Fixed Assets	General Long-term Obligations	
Trust and Agency			
\$53,373	\$0	\$0	\$10,798,127
0	0	0	10,862,304
0	0	0	293,719
200	0	0	20,524
0	0	0	2,449
0	0	0	3,500
0	0	0	18,512
0	0	0	5,810
0	10,258,736	0	10,284,781
0	0	0	280,645
0	0	932,389	932,389
<u>\$53,573</u>	<u>\$10,258,736</u>	<u>\$932,389</u>	<u>\$33,502,760</u>
\$0	\$0	\$0	\$10,227
0	0	0	1,218,097
0	0	0	287
0	0	0	18,512
44,640	0	0	44,640
0	0	0	7,717,696
0	0	0	71,387
0	0	0	8,016,000
0	0	120,451	391,420
0	0	716,020	761,550
0	0	95,918	95,918
<u>44,640</u>	<u>0</u>	<u>932,389</u>	<u>18,345,734</u>
0	10,258,736	0	10,258,736
0	0	0	54,464
0	0	0	129,941
0	0	0	2,710,000
0	0	0	280,645
<u>8,933</u>	<u>0</u>	<u>0</u>	<u>1,723,240</u>
<u>8,933</u>	<u>10,258,736</u>	<u>0</u>	<u>15,157,026</u>
<u>\$53,573</u>	<u>\$10,258,736</u>	<u>\$932,389</u>	<u>\$33,502,760</u>

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MARIEMONT CITY SCHOOL DISTRICT, OHIO
HAMILTON COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General Fund	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$10,034,882	\$0	\$79,068	\$0	\$10,113,950
Tuition	131,111	0	0	0	131,111
Earnings on investments	244,011	0	8,262	0	252,273
Extracurricular activities	0	99,373	0	200	99,573
Classroom materials and fees	77,394	0	0	6,794	84,188
Other local revenues	63,642	26,994	0	2,335	92,971
Intergovernmental - state and local	3,564,109	20,441	19,692	0	3,604,242
Intergovernmental - federal	0	214,265	0	0	214,265
Total revenues	14,115,149	361,073	107,022	9,329	14,592,573
Expenditures:					
Current:					
Instruction:					
Regular	6,660,395	76,829	0	258	6,737,482
Special	996,144	87,313	0	0	1,083,457
Other	10,917	0	0	0	10,917
Support services:					
Pupil	623,690	78,687	0	0	702,377
Instructional staff	970,519	27,112	44,103	0	1,041,734
General administration	12,114	0	0	0	12,114
School administration	1,173,163	0	0	0	1,173,163
Fiscal	347,029	0	2,919	0	349,948
Business	46,467	0	0	0	46,467
Operations and maintenance	1,362,332	0	0	0	1,362,332
Pupil transportation	544,101	0	0	0	544,101
Central	76,834	0	0	0	76,834
Non-instructional services	0	0	0	2,000	2,000
Extracurricular activities	276,772	114,285	0	6,118	397,175
Capital Outlay	216,945	0	331,027	0	547,972
Debt service:					
Principal retirement	151,058	0	0	0	151,058
Interest and fiscal charges	17,644	0	71,387	0	89,031
Total expenditures	13,486,124	384,226	449,436	8,376	14,328,162
Excess (deficiency) of revenues over (under) expenditures	629,025	(23,153)	(342,414)	953	264,411
Other financing sources (uses):					
Operating transfers in	0	18,000	0	0	18,000
Operating transfers(out)	(18,000)	0	0	0	(18,000)
Total other financing sources (uses)	(18,000)	18,000	0	0	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	611,025	(5,153)	(342,414)	953	264,411
Fund balance, July 1	4,229,443	59,683	282,309	7,980	4,579,415
Fund balance, June 30	\$4,840,468	\$54,530	(\$60,105)	\$8,933	\$4,843,826

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$10,657,193	\$10,657,193	\$0	\$0	\$0	\$0
Tuition	131,111	131,111	0	0	0	0
Earnings on investments	236,079	236,079	0	0	0	0
Extracurricular activities	0	0	0	99,295	99,295	0
Classroom materials and fees	77,917	77,917	0	0	0	0
Other local revenues	43,564	43,564	0	26,994	26,994	0
Intergovernmental - state and local	3,567,359	3,567,359	0	20,442	20,442	0
Intergovernmental - federal	0	0	0	214,265	214,265	0
Total revenues	<u>14,713,223</u>	<u>14,713,223</u>	<u>0</u>	<u>360,996</u>	<u>360,996</u>	<u>0</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,577,742	6,577,742	0	77,932	77,932	0
Special	968,039	968,039	0	89,401	89,401	0
Other	11,112	11,112	0	0	0	0
Support services:						
Pupil	636,650	636,650	0	78,686	78,686	0
Instructional staff	898,136	898,136	0	19,374	19,374	0
General administration	12,114	12,114	0	0	0	0
School administration	1,265,511	1,265,511	0	0	0	0
Fiscal	344,821	344,821	0	0	0	0
Business	46,467	46,467	0	0	0	0
Operations and maintenance	1,588,064	1,588,064	0	0	0	0
Pupil transportation	537,006	537,006	0	0	0	0
Central	74,732	74,732	0	0	0	0
Extracurricular activities	277,024	277,024	0	120,160	120,160	0
Capital Outlay	259,362	259,362	0	0	0	0
Total expenditures	<u>13,496,780</u>	<u>13,496,780</u>	<u>0</u>	<u>385,553</u>	<u>385,553</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	1,216,443	1,216,443	0	(24,557)	(24,557)	0
Other financing sources (uses):						
Operating transfers in	0	0	0	18,000	18,000	0
Operating transfers (out)	(18,000)	(18,000)	0	0	0	0
Refund of prior year expenditures	998	998	0	0	0	0
Proceeds of notes	0	0	0	0	0	0
Total other financing sources (uses)	<u>(17,002)</u>	<u>(17,002)</u>	<u>0</u>	<u>18,000</u>	<u>18,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	1,199,441	1,199,441	0	(6,557)	(6,557)	0
Fund balance, July 1	1,370,311	1,370,311	0	72,338	72,338	0
Prior year encumbrances appropriated	168,667	168,667	0	19,366	19,366	0
Fund balance, June 30	<u>\$2,738,419</u>	<u>\$2,738,419</u>	<u>\$0</u>	<u>\$85,147</u>	<u>\$85,147</u>	<u>\$0</u>

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

CAPITAL PROJECTS FUNDS			TOTAL (MEMORANDUM ONLY)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$209,068	\$209,068	\$0	\$10,866,261	\$10,866,261	\$0
0	0	0	131,111	131,111	0
5,813	5,813	0	241,892	241,892	0
0	0	0	99,295	99,295	0
0	0	0	77,917	77,917	0
0	0	0	70,558	70,558	0
19,692	19,692	0	3,607,493	3,607,493	0
0	0	0	214,265	214,265	0
234,573	234,573	0	15,308,792	15,308,792	0
0	0	0	6,655,674	6,655,674	0
0	0	0	1,057,440	1,057,440	0
0	0	0	11,112	11,112	0
0	0	0	715,336	715,336	0
44,103	44,103	0	961,613	961,613	0
0	0	0	12,114	12,114	0
0	0	0	1,265,511	1,265,511	0
2,919	2,919	0	347,740	347,740	0
0	0	0	46,467	46,467	0
0	0	0	1,588,064	1,588,064	0
0	0	0	537,006	537,006	0
0	0	0	74,732	74,732	0
0	0	0	397,184	397,184	0
331,027	331,027	0	590,389	590,389	0
378,049	378,049	0	14,260,382	14,260,382	0
(143,476)	(143,476)	0	1,048,410	1,048,410	0
0	0	0	18,000	18,000	0
0	0	0	(18,000)	(18,000)	0
0	0	0	998	998	0
8,016,000	8,016,000	0	8,016,000	8,016,000	0
8,016,000	8,016,000	0	8,016,998	8,016,998	0
7,872,524	7,872,524	0	9,065,408	9,065,408	0
33,831	33,831	0	1,476,480	1,476,480	0
118,478	118,478	0	306,511	306,511	0
\$8,024,833	\$8,024,833	\$0	\$10,848,399	\$10,848,399	\$0

**MARIEMONT CITY SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$23,952
Charges for services	<u>375,660</u>
Total operating revenues	399,612
Operating expenses:	
Salaries and wages	107,123
Fringe benefits	15,833
Contract services	134,216
Supplies	178,741
Depreciation	<u>4,044</u>
Total operating expenses	<u>439,957</u>
Operating Loss	(40,345)
Nonoperating revenues:	
Interest	4,628
Operating grants - state & local	392
Operating grants - federal	29,179
Operating grants - donated commodities	<u>15,027</u>
Total Nonoperating Revenues	<u>49,226</u>
Net Income	8,881
Retained earnings at July 1	<u>45,583</u>
Retained earnings at June 30	<u><u>\$54,464</u></u>

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

MARIEMONT CITY SCHOOL DISTRICT, OHIO

**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$23,952
Cash received from charges for services	378,743
Cash payments for personal services	(132,088)
Cash payments for contract services	(134,216)
Cash payments for supplies and materials	<u>(165,307)</u>
Net cash provided by operating activities	(28,916)
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>29,571</u>
Net cash provided by noncapital financing activities	29,571
Cash flows from investing activities:	
Cash received from interest revenue	<u>4,628</u>
Net cash provided by investing activities	4,628
Net increase (decrease) in cash and cash equivalents	5,283
Cash and cash equivalents at beginning of year	<u>31,549</u>
Cash and cash equivalents at end of year	<u><u>\$36,832</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	(\$40,345)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,044
Donated commodities	15,027
Changes in assets and liabilities:	
Decrease in accounts receivables	3,083
(Increase) in inventories	(3,654)
(Decrease) in accrued wages and benefits	(3,961)
(Decrease) in pension obligations	(2,841)
(Decrease) in compensated absences	(2,330)
Increase in deferred revenues	<u>2,061</u>
Net cash provided by operating activities	<u><u>(\$28,916)</u></u>

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

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**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE A--DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 65 non-certificated personnel and 110 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 16th in Hamilton County (among 22 Districts) in terms of enrollment and the 7th largest in Hamilton County. It currently operates 3 elementary schools, 1 junior high school (grades 7-8), and 1 high school (grades 9-12).

THE REPORTING ENTITY

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For Mariemont City School District, this includes general operations, food service, preschool and student related activities of the District. The District is associated with an organization which is defined as a jointly governed organization. This organization is HCCA and is presented in Note R to the General Purpose Financial Statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

General Fund

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

Special Revenue Funds

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

Capital Projects Fund

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

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

Enterprise Funds

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

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

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

General Fixed Assets Account Group

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

General Long Term Obligations Account Group

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. "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. Revenue accrued at the end of the fiscal year included property taxes available for advances, delinquent property taxes, interest, tuition, and state and federal grants. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Current property taxes measurable as of June 30, 2000 that are intended to finance fiscal 2001 operations and delinquent property taxes whose availability is indeterminate, have been recorded as deferred revenues. Expenditures are recognized in the period in which the related fund liability is incurred, except for unmatured principal and interest on long term debt which is recognized when due.

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

BUDGETARY DATA

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

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

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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

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

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

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

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

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

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

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 and none were significant.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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

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

Fund Type

Governmental:	
General	\$ (196,490)
Special Revenue	6,341
Capital Projects	25,739

ENCUMBRANCES

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

CASH AND INVESTMENTS

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAROhio, repurchase agreements, fixed income government bonds and discount commercial paper.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2000, \$244,011 of interest revenue was credited to the general fund and \$4,628 was credited to the food service enterprise fund.

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization, textbook, and capital acquisition reserves, as required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 169,993
Current Year Set-aside Requirement	331,956	331,956	110,652
Current Year Offsets	(25,803)	(352,669)	0
Additional Qualifying Disbursements	<u>(590,224)</u>	<u>(122,447)</u>	<u>0</u>
Total	<u>\$ (284,071)</u>	<u>\$ (143,159)</u>	<u>\$ 280,645</u>
Set-aside Cash Balance as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 280,645</u>

INVENTORY (MATERIALS AND SUPPLIES)

Inventory in governmental funds consists of expendable supplies held for consumption. The District did not have any material governmental inventories for the fiscal year ended June 30, 2000. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Inventories of proprietary funds are stated at the lower of cost or market and cost is determined on a first-in, first-out basis.

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$200 and a useful life of less than 5 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure. Interest incurred during the construction of general fixed assets is not capitalized.

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Depreciation of furniture, fixtures and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenues, such as entitlements (to the extent they are intended to finance the current fiscal year) 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. Other than commodities, grants and

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

INTERFUND TRANSACTIONS

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

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

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

Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no interfund loans or long term advances as of June 30, 2000.

COMPENSATED ABSENCES

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

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

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

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered, and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy.

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

LONG-TERM OBLIGATIONS

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 expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term obligations of the proprietary funds are reported as liabilities in the appropriate proprietary funds.

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

MEMORANDUM ONLY-TOTAL COLUMNS

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

AUTHORITATIVE SOURCES

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

NOTE C--FUND BALANCE DEFICIT

The Building Capital Projects Fund had a deficit fund balance of \$60,105 due to a short term note payable outstanding.

NOTE D--EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Deposits

At year end the carrying amount of the District's deposits was \$395,249. The bank balance of deposits was \$645,510. Of the bank balance, \$100,000 was covered by federal depository insurance and \$545,510 was covered by collateral held by third party trustees pursuant to Section 135,181 Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments

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

Based on the above criteria, the District's investments at June 30, 2000 are classified as follows:

	<u>Category</u>		Carrying	Fair
1	2	3	Value	Value
State Treasury Pool			\$2,819,494	\$2,819,494
Repurchase Agreements		485,276	485,276	485,276
Treasury Bonds and Notes		\$5,413,716	5,413,716	5,413,716
Commercial Paper		<u>1,965,036</u>	<u>1,965,036</u>	<u>1,965,036</u>
Total Investments		<u>\$7,378,752</u>	<u>\$10,683,522</u>	<u>\$10,683,522</u>

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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

NOTE E--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2000 were based are as follows:

Tangible Personal	\$ 25,820,460
Real estate	<u>225,065,280</u>
Total assessed property value	\$250,885,740

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at twenty-five percent of true value (as defined). In 2000, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2000, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which are measurable at June 30, 2000. Property tax advances available at year end and delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2000. All other tax receivables are recorded with an offset credit to deferred revenue, because although measurable, they are intended to finance the next fiscal year's operations.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE F--RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts receivable, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose of the nonpayment of taxes, the stable condition of State Programs, and the current year guarantee of Federal Funds.

A summary of the principal items of receivables follows:

<u>Fund</u>	<u>Receivable</u>	<u>Amount</u>
General Fund	Taxes - Current & Delinquent	\$11,156,023
	Accounts	20,032
Capital Projects Funds	Accrued Interest	2,449
Enterprise Funds	Accounts	215

NOTE G--FIXED ASSETS

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

	<u>July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2000</u>
Land/Improvements	\$ 271,079	\$ 0	\$ 0	\$ 271,079
Building/Building Improvements	6,950,290	282,092	183,360	7,049,022
Furniture/Equipment	2,155,742	116,719	0	2,272,461
Vehicles	<u>606,727</u>	<u>59,447</u>	<u>0</u>	<u>666,174</u>
Total	<u>\$ 9,983,838</u>	<u>\$ 458,258</u>	<u>\$ 183,360</u>	<u>\$ 10,258,736</u>

There was no significant construction in progress as of June 30, 2000.

A summary of the Proprietary Fund fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 67,729
Less Accumulated Depreciation	<u>(41,684)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 26,045</u>

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE H--CAPITALIZED LEASES - LESSEE

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

June 2001	\$ 95,674
June 2002	<u>6,990</u>
Total Payments	\$ 102,664
Less: Amounts representing Interest	<u>6,746</u>
Present Value of Minimum Lease Payments	<u>\$ 95,918</u>

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

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences and pension obligations will be paid from the fund from which the employee is paid. Capital leases will be paid from the general fund.

	<u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2000</u>
Compensated Absences	\$ 662,529	\$53,491	\$ 0	\$716,020
Pension Obligations	108,645	11,806	0	120,451
Capital Leases	<u>246,976</u>	<u>0</u>	<u>151,058</u>	<u>95,918</u>
Total	<u>\$ 1,018,149</u>	<u>\$ 65,297</u>	<u>\$ 151,058</u>	<u>\$932,388</u>

NOTE J--NOTE PAYABLE

At June 30,2000, a bond anticipation note of \$8,016,000 was reported as a fund liability in the Building Capital Projects Fund which received the proceeds. The note was issued on April 25, 2000 with a maturity of October 31, 2000 and carries an interest rate of 4.84%. The note is backed by the full faith and credit of the District.

NOTE K--LEGAL DEBT MARGIN

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

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$18,984,066 and an unvoted debt margin of \$210,934.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE L--SEGMENT INFORMATION

Enterprise Funds - The District maintains four Enterprise Funds to account for the operations of Food Service, Uniform School Supply, Extended Time and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Extended Time</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$239,735	\$16,831	\$135,925	\$7,121	\$399,612
Operating expenses before depreciation	270,433	25,204	133,579	6,697	435,913
Depreciation	4,044	0	0	0	4,044
Operating Income (Loss)	(34,742)	(8,373)	2,346	424	(40,345)
Interest	4,628	0	0	0	4,628
Operating Grants	44,598	0	0	0	44,598
Net Income (Loss)	14,484	(8,373)	2,346	424	8,881
Net Working Capital	14,313	1,649	14,999	3,588	34,549
Total Assets	43,104	1,649	20,561	3,588	68,902
Total Liability	2,746	0	11,692	0	14,438
Total Equity	40,358	1,649	8,869	3,588	54,464

NOTE M-EMPLOYEE RETIREMENT SYSTEMS

STATE TEACHERS RETIREMENT SYSTEM

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

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE M—EMPLOYEE RETIREMENT SYSTEMS – CONT'D

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 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, 2000, 1999, and 1998 were \$934,853, \$882,439, and \$815,472, respectively; 77.27 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. With \$212,484 representing the unpaid contribution for fiscal year 2000, it is recorded as a liability within the respective funds.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District participates in the State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2000, 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$423,885, and \$348,825 and \$372,438, respectively. The District has contributed 41.39 percent for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. With \$175,460 representing the unpaid contribution for fiscal year 2000, it is recorded as a liability within the respective funds and the general long-term debt account group.

NOTE N—POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$534,202 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 1999, net health care costs pay by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE N—POSTEMPLOYMENT BENEFITS – CONT'D

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 8.5 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 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, results in a total health care contribution rate of 4.5 percent. For the District, the amount to fund health care benefits, including surcharge, equaled \$179,827 during the 2000 fiscal year. Expenses for health care at June 30, 2000, were \$126,380,984. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE O--BUDGETARY BASIS OF ACCOUNTING

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

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

Governmental Fund Types	General <u>Fund</u>	Special Revenue <u>Funds</u>	Capital Projects <u>Funds</u>	<u>Total</u>
GAAP Basis	\$ 611,025	\$ (5,153)	\$(342,414)	\$263,458
Net Adjustment for Revenue Accruals	598,074	(77)	127,551	725,548
Net Adjustment for Expenditure Accruals	127,735	450	71,387	199,572
Net Adjustment for Other Sources and Uses	998	0	8,016,000	8,016,998
Net Adjustment for Encumbrances	<u>(138,391)</u>	<u>(1,777)</u>	<u>0</u>	<u>(140,168)</u>
Budgetary Basis	<u>\$ 1,199,441</u>	<u>\$ (6,557)</u>	<u>\$ 7,872,524</u>	<u>\$ 9,065,408</u>

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE P--COMPLIANCE

The District did not certify the availability of funds for certain commitments as required by state law.

NOTE Q--CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

LITIGATION

Currently, no litigation is pending against the District.

NOTE R—JOINTLY GOVERNED

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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

NOTE S--RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Payments have not exceeded this coverage in any of the past three years.

NOTE T--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 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, 2000, the District received \$2,469,162 of school foundation support for its General Fund.

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE T--SCHOOL FUNDING DECISION – CONT'D

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 “through and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas in Perry County to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on the issue. The Court concluded, “... the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “... major areas warrant(ing) further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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



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

Mariemont City School District
Hamilton County
6743 Chestnut Street
Mariemont, Ohio 45227

To the Board of Education:

We have audited the financial statements of Mariemont City School District, Hamilton County, Ohio, (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 22, 2001. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10431-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 22, 2001.

Internal Control Over Financial Reporting

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

However we 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 January 22, 2001.

Mariemont City School District
Hamilton County
Report on Compliance and on Internal Control Required
by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 22, 2001

**MARIEMONT CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-10431-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Sixty percent of the transactions tested had the purchase order dated after the invoice date. These did not meet the exceptions provided in the Code.

A search of unrecorded liabilities discovered \$42,866 in obligations not properly encumbered as of June 30, 2000. These did not meet the exceptions provided in the Code.



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MARIEMONT CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 15, 2001**