

THREE RIVERS LOCAL SCHOOL DISTRICT

June 30, 2009

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



VonLehman & Company Inc. vlcpa.com

4755 Lake Forest Drive, Suite 100 Cincinnati, OH 45242-3836 513.891.5911 F 513.891.5969

250 Grandview Drive, Suite 300 Fort Mitchell, KY 41017-5610 859.331.3300 F 859.331.4358



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Three Rivers Local School District, Hamilton County, prepared by VonLehman and Company, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 9, 2010

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**THREE RIVERS LOCAL SCHOOL DISTRICT
TABLE OF CONTENTS**

June 30, 2009

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	1 - 8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets - Fiduciary Funds	15
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	16
Notes to the Financial Statements	17 - 40
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	41
Notes to the Required Supplementary Information	42 - 43

**THREE RIVERS LOCAL SCHOOL DISTRICT
TABLE OF CONTENTS
(Continued)**

June 30, 2009

	PAGE
Other Information	
Schedule of Expenditures of Federal Awards	44 - 45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46 - 47
Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48 - 49
Schedule of Findings and Questioned Costs	50 - 55
Schedule of Prior Audit Findings	56
Independent Auditors' Report on Applying Agreed-Upon Procedures	57 - 58

INDEPENDENT AUDITORS' REPORT

Board of Education
Three Rivers Local School District
Hamilton County, Ohio

We have audited the accompanying statements of the governmental activities, each major fund and the aggregate remaining fund information of the Three Rivers Local School District as of June 30, 2009, which collectively comprise the Three Rivers Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Three Rivers Local School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Three Rivers Local School District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2010 on our consideration of the Three Rivers Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on Pages 1 through 8 and 41 through 43 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Three Rivers Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Three Rivers Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Three Rivers Local School District. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Cincinnati, Ohio
August 17, 2010

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The discussion and analysis of Three Rivers Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Net assets of governmental activities decreased \$1,708,484 which represents a 15% decrease from 2008.
- General revenues accounted for \$18,427,314 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,083,979 or 10% of total revenues of \$20,511,293.
- The District had \$22,219,777 in expenses related to governmental activities; \$2,083,979 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$18,427,314 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2009?” The Government-wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, the District consists of one activity:

- Governmental Activities – Most of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Fund Financial Statements

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

The District has two kinds of funds:

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

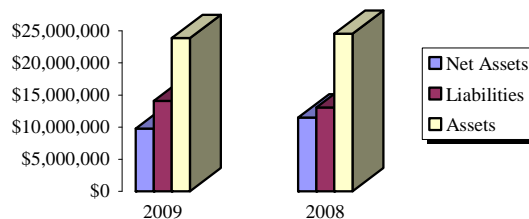
Fiduciary Funds The District’s fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets:		
Current and Other Assets	\$21,471,117	\$22,223,102
Capital Assets	2,405,498	2,329,520
Total Assets	23,876,615	24,552,622
Liabilities:		
Other Liabilities	11,695,388	11,231,046
Long-Term Liabilities	2,396,294	1,828,159
Total Liabilities	14,091,682	13,059,205
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,405,498	2,329,520
Restricted	375,141	556,759
Unrestricted	7,004,294	8,607,138
Total Net Assets	\$9,784,933	\$11,493,417



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$9,784,933.

At year-end, capital assets represented 10% of total assets. Capital assets include land, buildings and improvements, transportation and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2009, was \$2,405,498. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$375,141, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets decreased mainly due to a decrease in taxes receivable. Other Liabilities increased mainly due to an increase in accounts payable in fiscal year 2009 as compared to fiscal year 2008.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program Revenues		
Charges for Services and Sales	\$899,559	\$815,568
Operating Grants and Contributions	1,184,420	1,390,991
Capital Grants and Contributions	0	19,408
General Revenues:		
Property Taxes	11,260,305	13,601,851
Grants and Entitlements	6,759,530	6,312,350
Other	407,479	504,575
Total Revenues	<u>20,511,293</u>	<u>22,644,743</u>
Program Expenses:		
Instruction	12,547,962	11,414,957
Support Services:		
Pupil and Instructional Staff	2,829,633	2,480,792
School Administrative, General		
Administration, Fiscal and Business	2,120,572	2,096,355
Operations and Maintenance	1,428,707	1,500,681
Pupil Transportation	1,216,875	1,249,028
Central	607,805	415,733
Operation of Non-Instructional Services	931,230	720,630
Extracurricular Activities	536,993	401,614
Total Program Expenses	<u>22,219,777</u>	<u>20,279,790</u>
Change in Net Assets	(1,708,484)	2,364,953
Net Assets Beginning of Year	<u>11,493,417</u>	<u>9,128,464</u>
Net Assets End of Year	<u><u>\$9,784,933</u></u>	<u><u>\$11,493,417</u></u>

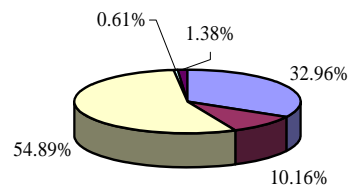
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital project purposes and grants and entitlements comprised 88% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 55% of revenue for governmental activities for the District in fiscal year 2009.

Revenue Sources	2009	Percent of Total
General Grants	\$6,759,530	33%
Program Revenues	2,083,979	10%
General Tax Revenues	11,260,305	55%
Investment Earnings	124,214	1%
Other Revenues	283,265	1%
	<u>\$20,511,293</u>	<u>100%</u>



Instruction comprises 56% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses were 7%.

General Revenues decreased mainly due to a decrease in property taxes revenue received in 2009 as compared to 2008. Instructional expenses increased mainly due to an increase in personnel costs and general inflationary factors.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$12,547,962	\$11,414,957	(\$11,604,766)	(\$10,274,848)
Support Services:				
Pupil and Instructional Staff	2,829,633	2,480,792	(2,682,324)	(2,373,662)
School Administrative, General				
Administration, Fiscal and Business	2,120,572	2,096,355	(2,120,572)	(2,096,355)
Operations and Maintenance	1,428,707	1,500,681	(1,428,707)	(1,500,681)
Pupil Transportation	1,216,875	1,249,028	(1,121,953)	(1,164,949)
Central	607,805	415,733	(602,423)	(394,547)
Operation of Non-Instructional Services	931,230	720,630	(221,059)	(8,644)
Extracurricular Activities	536,993	401,614	(353,994)	(240,137)
Total Expenses	<u>\$22,219,777</u>	<u>\$20,279,790</u>	<u>(\$20,135,798)</u>	<u>(\$18,053,823)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$21,494,885 (96%) of the total \$22,372,769 governmental funds assets.

General Fund: Fund balance at June 30, 2009 was \$8,433,624, a decrease of \$842,722 from 2008. The primary reason for the decrease in fund balance was due to a decrease in taxes revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget when needed, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

For the General Fund, original and final budget basis revenue was \$14,664,119.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$2,405,498 invested in land, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

	Governmental Activities	
	2009	2008
Land	\$267,092	\$267,092
Buildings and Improvements	1,486,609	1,423,929
Transportation	32,888	85,756
Equipment and Fixtures	618,909	552,743
Total Net Capital Assets	<u>\$2,405,498</u>	<u>\$2,329,520</u>

The increase in capital assets is due to current year additions exceeding current year depreciation expense.

See Note 7 to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2009, the District had no debt outstanding.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Three Rivers Local School District, 92 Cleves Avenue, Cleves, Ohio.

Three Rivers Local School District, Ohio
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$7,851,632
Restricted Cash and Investments	362,839
Receivables:	
Taxes	12,694,518
Interest	5,085
Intergovernmental	555,860
Inventory	1,183
Nondepreciable Capital Assets	267,092
Depreciable Capital Assets, Net	<u>2,138,406</u>
 Total Assets	 <u>23,876,615</u>
Liabilities:	
Accounts Payable	566,222
Accrued Wages and Benefits	2,305,888
Unearned Revenue	8,823,278
Long-Term Liabilities:	
Due Within One Year	392,875
Due In More Than One Year	<u>2,003,419</u>
 Total Liabilities	 <u>14,091,682</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,405,498
Restricted for:	
Debt Service	7,359
Capital Projects	4,943
Set-Aside	362,839
Unrestricted	<u>7,004,294</u>
 Total Net Assets	 <u><u>\$9,784,933</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$10,262,790	\$206,619	\$125,615	(\$9,930,556)
Special	2,267,821	0	605,457	(1,662,364)
Vocational	3,720	0	3,593	(127)
Other	13,631	1,912	0	(11,719)
Support Services:				
Pupil	1,238,369	39,208	56,912	(1,142,249)
Instructional Staff	1,591,264	0	51,189	(1,540,075)
General Administration	46,486	0	0	(46,486)
School Administration	1,297,588	0	0	(1,297,588)
Fiscal	759,163	0	0	(759,163)
Business	17,335	0	0	(17,335)
Operations and Maintenance	1,428,707	0	0	(1,428,707)
Pupil Transportation	1,216,875	0	94,922	(1,121,953)
Central	607,805	0	5,382	(602,423)
Operation of Non-Instructional Services	931,230	468,821	241,350	(221,059)
Extracurricular Activities	536,993	182,999	0	(353,994)
Total Governmental Activities	\$22,219,777	\$899,559	\$1,184,420	(20,135,798)

General Revenues:	
Property Taxes Levied for:	
General Purposes	11,260,305
Grants and Entitlements not Restricted to Specific Programs	6,759,530
Unrestricted Contributions	7,476
Investment Earnings	124,214
Other Revenues	275,789
Total General Revenues	18,427,314
Change in Net Assets	(1,708,484)
Net Assets Beginning of Year	11,493,417
Net Assets End of Year	\$9,784,933

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$5,931,106	\$1,920,526	7,851,632
Restricted Cash and Investments	362,839	0	362,839
Receivables:			
Taxes	12,694,518	0	12,694,518
Interest	5,085	0	5,085
Intergovernmental	555,860	0	555,860
Due from Other Funds	901,652	0	901,652
Inventory	0	1,183	1,183
Total Assets	20,451,060	1,921,709	22,372,769
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	503,395	62,827	566,222
Accrued Wages and Benefits	1,998,284	307,604	2,305,888
Compensated Absences	189,239	0	189,239
Due to Other Funds	0	901,652	901,652
Deferred Revenue	9,326,518	0	9,326,518
Total Liabilities	12,017,436	1,272,083	13,289,519
Fund Balances:			
Reserved for Encumbrances	853,101	93,165	946,266
Reserved for Inventory	0	1,183	1,183
Reserved for Property Tax Advances	3,368,000	0	3,368,000
Reserved for Set-Aside	362,839	0	362,839
Unreserved, Undesignated, Reported in:			
General Fund	3,849,684	0	3,849,684
Special Revenue Funds	0	542,976	542,976
Debt Service Funds	0	7,359	7,359
Capital Projects Funds	0	4,943	4,943
Total Fund Balances	8,433,624	649,626	9,083,250
Total Liabilities and Fund Balances	\$20,451,060	\$1,921,709	\$22,372,769

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balance		\$9,083,250
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,405,498
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>503,240</u>	503,240
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,207,055)</u>	<u>(2,207,055)</u>
Net Assets of Governmental Activities		<u>\$9,784,933</u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$12,179,923	\$0	\$12,179,923
Tuition and Fees	88,280	159,460	247,740
Investment Earnings	123,643	571	124,214
Intergovernmental	7,087,004	999,879	8,086,883
Extracurricular Activities	1,700	181,299	182,999
Charges for Services	50,089	468,821	518,910
Other Revenues	76,790	156,385	233,175
Total Revenues	19,607,429	1,966,415	21,573,844
Expenditures:			
Current:			
Instruction:			
Regular	9,659,096	318,102	9,977,198
Special	1,177,285	1,053,605	2,230,890
Vocational	0	3,720	3,720
Other	10,580	2,978	13,558
Support Services:			
Pupil	999,552	139,166	1,138,718
Instructional Staff	1,393,246	36,110	1,429,356
General Administration	46,436	0	46,436
School Administration	1,419,554	0	1,419,554
Fiscal	762,750	0	762,750
Business	17,335	0	17,335
Operations and Maintenance	1,367,982	0	1,367,982
Pupil Transportation	1,068,732	0	1,068,732
Central	534,922	707	535,629
Operation of Non-Instructional Services	43,919	734,253	778,172
Extracurricular Activities	231,157	221,892	453,049
Capital Outlay	674,680	0	674,680
Total Expenditures	19,407,226	2,510,533	21,917,759
Excess of Revenues Over (Under) Expenditures	200,203	(544,118)	(343,915)
Other Financing Sources (Uses):			
Proceeds from Sale of Assets	900	0	900
Transfers In	0	1,043,825	1,043,825
Transfers (Out)	(1,043,825)	0	(1,043,825)
Total Other Financing Sources (Uses)	(1,042,925)	1,043,825	900
Net Change in Fund Balance	(842,722)	499,707	(343,015)
Fund Balance Beginning of Year	9,276,346	149,919	9,426,265
Fund Balance End of Year	\$8,433,624	\$649,626	\$9,083,250

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balance - Total Governmental Funds (\$343,015)

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	471,006	
Depreciation Expense	<u>(395,028)</u>	
		75,978

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues in
 the funds.

Delinquent Property Taxes	(919,618)	
Intergovernmental	<u>(142,933)</u>	
		(1,062,551)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	<u>(378,896)</u>	
		<u>(378,896)</u>

Change in Net Assets of Governmental Activities		<u><u>(\$1,708,484)</u></u>
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See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$79,528</u>	<u>\$29,528</u>
Total Assets	<u>79,528</u>	<u>29,528</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>29,528</u>
Total Liabilities	<u>0</u>	<u>\$29,528</u>
Net Assets:		
Held in Trust	<u>79,528</u>	
Total Net Assets	<u>\$79,528</u>	

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions:	
Donations	\$8,020
Investment Earnings	533
Total Additions	<u>8,553</u>
Deductions:	
Scholarships	<u>14,334</u>
Total Deductions	<u>14,334</u>
Change in Net Assets	(5,781)
Net Assets Beginning of Year	<u>85,309</u>
Net Assets End of Year	<u><u>\$79,528</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Three Rivers Local School District, Ohio (the "District") was originally 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 of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 108 non-certificated personnel and 134 certified teaching and administrative personnel to provide services to students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District participates in two Jointly Governed Organizations that are further described in the notes to the financial statements.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

Fiduciary Funds

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

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2009 credited to the General Fund amounted to \$123,643 and \$571 in Other Governmental Funds.

INVENTORY

Inventories are presented at cost on a first in, first out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	20-80 years
Transportation	10 years
Equipment and Fixtures	5-20 years

INTERFUND ACTIVITY

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the 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. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for the compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

FUND BALANCE RESERVES

The District records reservations for portions of fund equity that 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 that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property tax advances and set-asides.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

RESTRICTED ASSETS

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a textbook, capital maintenance and budget stabilization reserve. A corresponding fund balance reserve has also been established.

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the \$375,141 in restricted net assets, none were restricted by enabling legislation.

ESTIMATES

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

NOTE 3 - ACCOUNTABILITY

The following funds had a deficit in fund balance:

Other Governmental Funds:	<u>Amounts</u>
Disadvantaged Pupil Impact Aid	\$158,154
Title VIB Pre-School	183,910
Title I	434,965
Early Childhood Special Education	124,623

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.

- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2009, \$5,951,696 of the District's bank balance of \$8,155,565 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2009, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Rating</u>
STAROhio	\$315,000	0.16	AAA
Stocks*	<u>4,269</u>	0.00	
Total Fair Value	<u><u>\$319,269</u></u>		

Portfolio Weighted Average Maturity .17

*The amount of \$4,269 was donated stock by a private individual.

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 99% invested in STAROhio and 1% in stock.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

Fair Value Measurements

U.S. GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for the identical assets or liabilities in active markets that the District has the ability to access.

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets.

Level 2

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

Cash, corporate bonds, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The District holds stock considered a Level 1 security.

NOTE 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 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. 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.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most business and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

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 District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2010 operations. The amount available for advance 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 that became measurable as of June 30, 2009. 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 \$3,368,000 in the General Fund.

The assessed value, by property classification, upon which taxes collected in 2009 were based as follows:

	<u>Amount</u>
Tangible and Public Utility Personal	\$62,216,490
Real Estate	<u>329,846,870</u>
Total	<u><u>\$392,063,360</u></u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes, intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes and the stable condition of state programs. Intergovernmental receivable consists of 2009 Homestead and Rollback taxes due from Hamilton County, Ohio.

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$267,092	\$0	\$0	\$267,092
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	9,033,748	254,173	0	9,287,921
Transportation	1,552,253	0	0	1,552,253
Equipment and Fixtures	<u>1,641,315</u>	<u>216,833</u>	<u>0</u>	<u>1,858,148</u>
Totals at Historical Cost	<u><u>12,494,408</u></u>	<u><u>471,006</u></u>	<u><u>0</u></u>	<u><u>12,965,414</u></u>
Less Accumulated Depreciation:				
Buildings and Improvements	7,609,819	191,493	0	7,801,312
Transportation	1,466,497	52,868	0	1,519,365
Equipment and Fixtures	<u>1,088,572</u>	<u>150,667</u>	<u>0</u>	<u>1,239,239</u>
Total Accumulated Depreciation	<u><u>10,164,888</u></u>	<u><u>395,028</u></u>	<u><u>0</u></u>	<u><u>10,559,916</u></u>
Governmental Activities Capital Assets, Net	<u><u>\$2,329,520</u></u>	<u><u>\$75,978</u></u>	<u><u>\$0</u></u>	<u><u>\$2,405,498</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$178,785
Special	8,949
Other Instruction	73
Support Services:	
Pupil	4,371
Instructional Staff	1,848
General Administration	50
School Administration	2,071
Fiscal	1,416
Operations and Maintenance	17,896
Pupil Transportation	56,287
Central	39,429
Operation of Non-Instructional Services	26,120
Extracurricular Activities	57,733
Total Depreciation Expense	<u><u>\$395,028</u></u>

NOTE 8 - INTERFUND ASSETS/LIABILITIES

As of June 30, 2009, on the fund financial statements, the following was owed to the general fund:

Other Governmental Funds:	<u>Amounts</u>
Disadvantaged Pupil Impact Aid	\$158,154
Title VIB Pre-School	183,910
Title I	434,965
Early Childhood Special Education	124,623

These amounts are represented as “Interfund Payable Receivable” on the balance sheet.

NOTE 9 - RISK MANAGEMENT

The 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 2009, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past three fiscal years.

The District also provides life insurance and accidental death and dismemberment coverage to all employees. The amount of coverage per employee varies by bargaining unit. Commercial Life also provides the life insurance coverage for the District. The District pays the State Workers' Compensation System a premium based on a rate per \$1,000 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 10 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$455,100, \$421,836, and \$387,816, respectively; 51% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$1,320,634, \$1,276,762, and \$1,200,363, respectively; 98% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

NOTE 11 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the years ended June 30, 2009, 2008 and 2007 were \$24,380, \$22,598 and \$18,837, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$135,230, \$100,035, and \$94,738, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$94,331, \$91,197, and \$85,740, respectively.

NOTE 12 - LONG-TERM LIABILITIES

The changes in the District's long-term obligations during fiscal year 2009 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
Compensated Absences	\$1,828,159	\$888,649	(\$320,514)	\$2,396,294	\$392,875

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Hamilton/Clermont Cooperative Association

The Hamilton Clermont County Cooperative Association (HCCA) is a jointly governed organization consisting of twenty-four school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the districts supports HCCA and share in a percentage of equity based on the resources provided. HCCA is governed by the board of directors consisting of superintendents of the member school boards. The degree of control exercised by any participating district is limited to its representation on the board. The operating budget of HCCA is funded by state funds and by contributions from each member district based upon a per pupil fee. The District's share of financial operations for June 30th was 3.1%.

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

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established under the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of member districts, which includes the students of the District. The District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks, 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 14 - CONTINGENCIES

Grants

The 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 are 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 District at June 30, 2009.

Litigation

The District is party to legal proceedings. The District has two open cases that may become material to the financial statements in the future, but at this point, the 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 District.

NOTE 15 - REQUIRED SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2008	\$218,433	\$0	\$182,210
Current Year Set Aside Requirements	292,865	292,865	0
Qualified Disbursements	<u>(330,669)</u>	<u>(397,366)</u>	<u>0</u>
Set Aside Reserve Balance as of June 30, 2009	<u>\$180,629</u>	<u>(\$104,501)</u>	<u>\$182,210</u>
Restricted Cash as of June 30, 2009	<u>\$180,629</u>	<u>\$0</u>	<u>\$182,210</u>
Carried Forward as of June 30, 2009	<u>\$180,629</u>		

Since the District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts will be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

The Ohio General Assembly eliminated the requirement for the budget stabilization reserve and, effective April 10, 2001, the Board of Education could choose to eliminate the reserve with the exception of rebates received from the Bureau of Workers' Compensation. The District chose not to reduce its budget stabilization reserve.

NOTE 16 - INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2009 consisted of the following transfers in and transfers out:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$0	(\$1,043,825)
Other Governmental Funds	<u>1,043,825</u>	<u>0</u>
Totals	<u>\$1,043,825</u>	<u>(\$1,043,825)</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

NOTE 17 - COMPLIANCE AND ACCOUNTABILITY

The District incurred the following violations:

Budgetary Activity

- *Tax Levy was Not Certified Timely* – Ohio Revised Code, Section 5705.34 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).

Fund Balances

- *Inadequate Independent Oversight of Disbursement Activity* – Ohio Revised Code, Section 5705.41 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).
- *Negative Fund Balances* – Ohio Revised Code, Section 5705.10 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).

Other Matters

- *Tax Revenue was not Recorded Directly to General Fund when Received by the District* – Ohio Revised Code #5705.10 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).
- *Permanent Improvement Fund was Opened in Fiscal Year 2009 Without Auditor of State Approval* – Ohio Revised #5705.09 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).
- *Unapproved Inter-fund Payable / Receivable* – Ohio Revised Code #5705.10 (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).

- *An Accruate Capital Asset List is not Being Maintained* – Ohio Administrative Code Section 117-2-02 (D) & (E) (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).
- *An Extension for Filing the A-133 Report was not Obtained* – (see Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Schedule of Findings and Questioned Costs).

NOTE 18 - SUBSEQUENT EVENTS

The Board of Education adopted a resolution to issue bonds in the sum of \$37,145,000, approved by the voters at the May 4, 2010 election, for permanent improvements. The permanent improvements include building one new facility to house grades preschool through 12, and an allowance to demolish existing school buildings. The District has been approved by the Ohio Schools Facilities Commission to participate in the Exceptional Needs - Extreme Environmental Contamination Program. This program provides the District with grant assistance in the projects described above.

Consideration of subsequent events for inclusion and disclosure in these financial statements was made through the date of the report, which is the date that the financial statements were available to be issued, and include all relevant material circumstances and events.

REQUIRED SUPPLEMENTARY INFORMATION

Three Rivers Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$9,771,711	\$9,771,711	\$13,714,726	\$3,943,015
Tuition and Fees	62,899	62,899	88,280	25,381
Investment Earnings	84,472	84,472	118,558	34,086
Intergovernmental	4,653,425	4,653,425	6,531,144	1,877,719
Extracurricular Activities	1,211	1,211	1,700	489
Charges for Services	35,688	35,688	50,089	14,401
Other Revenues	54,713	54,713	76,790	22,077
Total Revenues	14,664,119	14,664,119	20,581,287	5,917,168
Expenditures:				
Current:				
Instruction:				
Regular	9,754,139	9,754,139	9,609,641	144,498
Special	1,051,328	1,051,328	1,185,506	(134,178)
Other	10,840	10,840	10,580	260
Support Services:				
Pupil	1,032,382	1,032,382	1,007,625	24,757
Instructional Staff	1,409,729	1,409,729	1,375,923	33,806
General Administration	47,577	47,577	46,436	1,141
School Administration	1,385,112	1,385,112	1,351,896	33,216
Fiscal	782,368	782,368	763,606	18,762
Business	17,761	17,761	17,335	426
Operations and Maintenance	1,587,658	1,587,658	1,549,585	38,073
Pupil Transportation	1,095,168	1,095,168	1,068,905	26,263
Central	576,945	576,945	563,110	13,835
Operation of Non-Instructional Services	40,194	40,194	39,230	964
Extracurricular Activities	236,836	236,836	231,157	5,679
Capital Outlay	728,387	728,387	710,920	17,467
Total Expenditures	19,756,424	19,756,424	19,531,455	224,969
Excess of Revenues Over (Under) Expenditures	(5,092,305)	(5,092,305)	1,049,832	5,692,199
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	641	641	900	259
Transfers (Out)	(1,069,471)	(1,069,471)	(1,043,825)	25,646
Total Other Financing Sources (Uses)	(1,068,830)	(1,068,830)	(1,042,925)	25,905
Net Change in Fund Balance	(6,161,135)	(6,161,135)	6,907	5,718,104
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,335,587	6,335,587	6,335,587	0
Fund Balance End of Year	\$174,452	\$174,452	\$6,342,494	\$5,718,104

See accompanying notes to the required supplementary information.

Three Rivers Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2009

NOTE 1 - BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2009.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

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

Net Change in Fund Balance

	General
GAAP Basis	(\$842,722)
Adjustment for Revenue Accruals	973,858
Adjustment for Expenditure Accruals	728,872
Encumbrances	(853,101)
Budget Basis	\$6,907

OTHER INFORMATION

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009**

<u>Federal Grant / Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
(Passed Through Ohio Department of Education)				
Nutrition Cluster				
School Breakfast Program	05PU-2009	10.553	\$ 46,335	\$ 46,335
National School Lunch Program	LLP4-2009	10.555	<u>174,661</u>	<u>174,661</u>
Total U.S. Department of Agriculture			<u>220,996</u>	<u>220,996</u>
<u>U.S. Department of Education</u>				
(Passed Through Ohio Department of Education)				
Special Education Cluster				
Title VI - B	6BSF-2009	84.173	358,344	521,469
ESCE Preschool			<u>13,568</u>	<u>94,526</u>
			<u>371,912</u>	<u>615,995</u>
Grants to Local Education Agencies (ESEA Title I)				
Vocational Education	C1S1-2009	84.010	238,304	466,264
Safe and Drug Free Schools		84.048	-	-
Innovative Programs - Title V	DRS1-2009	84.186	5,469	5,731
Technology - Title II	C2S1-2009	84.298	1,483	-
Improving Teacher Quality	T3S1-2009	84.318	2,762	-
Title III		84.367	94,561	89,008
		84.031A	-	-
			<u>342,579</u>	<u>561,003</u>
Total U.S. Department of Education			<u>714,491</u>	<u>1,176,998</u>
Total Federal Awards			<u>\$935,487</u>	<u>\$1,397,994</u>

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - MATCHING REQUIREMENTS

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

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2009, the District had food commodities totaling \$1,183 in inventory.

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

Board of Education
Three Rivers Local School District
Hamilton County, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District as of and for the year ended June 30, 2009, which collectively comprise the Three Rivers Local School District's basic financial statements and have issued our report thereon dated August 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Three Rivers Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Three Rivers Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Three Rivers Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Three Rivers Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Three Rivers Local School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: Findings Number 2009-001, 2009-002, 2009-003, 2009-004, and 2009-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Three Rivers Local School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings Number 2009-001, 2009-003, 2009-004 and 2009-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Rivers Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as Findings Number 2009-006, 2009-007, 2009-008, 2009-009, 2009-010, 2009-011 and 2009-012.

The Three Rivers Local School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Three Rivers Local School District's response and, accordingly, we express no opinion on it.

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

VonLehman & Company Inc.

Cincinnati, Ohio
August 17, 2010

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

Board of Education
Three Rivers Local School District
Hamilton County, Ohio

Compliance

We have audited the compliance of the Three Rivers Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Three Rivers Local School District's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Three Rivers Local School District's management. Our responsibility is to express an opinion on the Three Rivers Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Three Rivers Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Three Rivers Local School District's compliance with those requirements.

In our opinion, the Three Rivers Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2009-013.

Internal Control Over Compliance

The Three Rivers Local School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Three Rivers Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Local School District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Three Rivers Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Three Rivers Local School District's internal control. We consider the deficiency in the internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding Number 2009-013, to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Three Rivers Local School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned as Finding Number 2009-013 costs to be a material weakness.

The Three Rivers Local School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Three Rivers Local School District's response and, accordingly, we express no opinion on it.

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

VonLehman & Company Inc.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
FEDERAL AWARDS	
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
Type of Major Programs Compliance Opinion	Unqualified
Are there any reportable findings under Section 510?	Yes
Major Programs (list):	CFDA 84.027 Title VI - B Grant CFDA 84.010 Title I
Dollar Threshold: Type A / B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	No

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Internal Control Over Financial Reporting

Finding Number	2009-001
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Material Weakness

1. *Lack of Independent Oversight Over Disbursement Activity* – Through the testing of cash disbursements, we noted inadequate internal control and compliance issues over disbursement activity. This would permit a misappropriation of assets to go undetected. See the list of finding and responses noted on Finding Number 2009-008 in the “Compliance and Other Matter” section of this report. The District should have adequate procedures in place to ensure that all disbursements are properly authorized by someone other than the person responsible for making the disbursement.

School District Response: The District has instituted Then / Now certificates on its purchase order forms, and invoice dates are matched against the purchase order and approved if funds are available when the invoice is less than \$3,000 or within 30 days. Invoices exceeding these limits are submitted to the Board of Education for its approval / disapproval.

Finding Number	2009-002
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Significant Deficiency

2. *Lack of Proper Reconciliation of Cash to the Bank Statements* – The total cash for the District had not been properly reconciled to the bank statements. Problems noted with the District’s bank reconciliation included: (1) Actual bank balances on the reconciliation did not agree to the bank statements, (2) Outstanding checks per the reconciliation did not agree to the outstanding check list and the outstanding check list contained checks that had previously cleared the bank, (3) Deposit in transit was not correct, and (4) Approximately \$16,500 of interest was unrecorded and not on the bank reconciliation.

School District Response: The District made the required entries during the fiscal year 2010 submitted by the Independent Auditor to resolve the reconciliations as of June, 2010. The District has balanced cash as of June 30, 2010 and July 31, 2010. Monthly reconciliations are now submitted for approval to the Board of Education monthly beginning at June 30, 2010.

Finding Number	2009-003
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Material Weakness

3. *Record Certain Journal Entries Prior to Year End* – The District incurred certain material transactions for which it did not record the entire effect of the transaction during the year, and required adjustment during the audit. We made entries regarding deferred revenue, unrecorded liabilities and cash. According to U.S. generally accepted auditing standards, all material transactions must be recorded by the entity as they become known, not simply in connection with the financial statement audit.

School District Response: The District has completed all entries submitted by audit as of June, 2010. All journal entries will be recorded in a timely manner, with the reconciliation to cash as the control to ensure the necessary entries are recorded.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

Finding Number	2009-004
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Material Weakness

4. *Lack of Oversight of Information Technology (IT) Controls* – The District uses a sub-contractor for all IT functions. However, the District does not have procedures in place over the flow of information to the sub-contractor or monitoring the work of the sub-contractor. The District should implement procedures to ensure that IT modifications are approved, monitored, and in line with other control procedures already established by the District.

School District Response: The District does utilize a work order system for technology work, and the contractor prepares a bi-monthly report to management on the status of hardware, software, and network issues. Management will document these processes and reports for the 2010 audit.

Finding Number	2009-005
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Material Weakness

5. *Improper Documentation Maintained in Employee File* – The District had several employees that did not have proper documentation in the employee file. Documents noted as missing or incomplete included I-9, W-4, and employment contract. The District should monitor employee files for appropriate documentation and follow procedures established by the District for maintaining employee records.

School District Response: The District has established a process to have all employee paperwork completed at a conference with the Human Resources secretary after each Board meeting. Employee contracts are prepared in advance of the Board meeting for signature as of July 1, 2010. Employee contracts are signed by the new hire at their employment conference.

Compliance and Other Matters

Finding Number	2009-006
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Budgetary Activity

6. *Tax Levy was not Certified Timely* – Per Ohio Revised Code Section 5705.34, each taxing authority is to pass an ordinance or resolution to authorize the necessary tax and certify the levy to the county auditor before April 1st for school districts. Per review of Board of Education minutes the tax levy was not certified until July 14th, with no evidence of approval of the later date by the tax commissioner.

School District Response: The District accepts the finding.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

Finding Number	2009-007
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Fund Balances

7. *Inadequate Independent Oversight of Disbursement Activity.* – Ohio Revised Code 5705.41(D) requires that no orders or contract involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the Treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Through the testing of cash disbursements, we noted several instances where expenditure was made without a valid purchase order preceding the expenditure and a Then / Now Certificate was not issued. We recommend that all expenditures be made only after a valid purchase order has been created and when that is not possible, the District should use a Then / Now Certificate.

School District Response: The District has submitted controls to have dual approval of requisitions prior to conversion into a purchase order. Additionally, the District has the purchaser initial and / or review invoices prior to payment. Once invoices are entered into the system by the accounts payable staff, an INVLST (Invoice List) report is generated, and the Treasurer or another staff member matches the report to the purchase order and invoice to ensure the payment amount entered matches the invoice. The INVLST report is signed off by the staff and retained for comparison to the reconciled checks.

Finding Number	2009-008
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Fund Balances

8. *Negative Fund Balances* – Ohio Revised Code, Section 5705.10, requires that appropriations do not exceed official or amended estimated resources. These deficit balances indicate that cash from other funds has been used to pay the obligations of these funds. This is a violation of Ohio Revised Code, Section 5705.10, which also requires that money paid into a certain fund shall be used only for the purpose for which the fund is established. Certain special revenue funds had negative fund balances as of June 30, 2009 as follows:

Special Revenue Funds	
Disadvantaged Pupil Impact Aid	\$ 158,154
Title VIB Pre-School	183,910
Title I	434,965
Early Childhood Special Education	124,623

School District Response: The District accepts the finding. At June 30, 2010, the District had the Board approve temporary advances to cover shortfalls in funds due to the timing of collections, and had no negative fund balances on an unaudited basis.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

Finding Number	2009-009
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Other Matters

9. *Tax Revenue was not Recorded Directly to General Fund When Received by the District* – Per Ohio Revised Code 5705.10, all revenue derived from tax levies must be paid into the general fund. The District received Tax Increment Financing (TIF) revenue from Hamilton County, which is derived from tax levies, and recorded it directly to a special revenue fund. The revenue should have been recorded to the general fund and then transferred to another fund, upon approval of the Board of Education.

School District Response: The District accepts the finding. The taxes for the fiscal year 2010 were verified for posting accuracy before closing, and reflected as gross receipts for revenue recognition.

Finding Number	2009-010
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Other Matters

10. *Permanent Improvement Fund was Opened in the Fiscal Year 2009 Without Auditor of State Approval* – The permanent improvement fund does not meet the authorization to establish a new fund, per Ohio Revised Code 5705.09, and the school district did not obtain approval from the Auditor of State’s office to open a new special revenue fund.

School District Response: The District accepts the finding. The District has utilized the fund for proper public purpose since its inception, and intends to maintain the fund in the future.

Finding Number	2009-011
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Other Matters

11. *Unapproved Inter-Fund Payable / Receivable* – Per Ohio Revised Code #5705.10, the District is only permitted to use money paid into a fund for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. There are several exceptions where this is permitted for school districts, but the district does not meet these exceptions. However, the Auditor of State recommended method of dealing with a negative fund balance is to create an inter-fund payable / receivable, which must be approved by the Board of Education. The Board of Education did not approve this correction.

School District Response: The District submits all transfers and advances of funds to the Board of Education for approval beginning in June, 2010.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

Finding Number	2009-012
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Other Matters

12. *An Accurate Capital Asset List is not Being Maintained.* – Per Ohio Admin. Code Sections 117-202 (D) & (E), the District is to maintain capital asset records with proper identification of assets. During the fiscal year 2009, several assets were replaced, but the District did not have sufficient records to retire the assets being replaced. Therefore, the new assets were added without a proper retirement, creating a potential for overstatement for fixed assets on the full accrual financial statements.

School District Response: The District accepts the finding. The District will begin during the fiscal year 2010 to put controls in place to record the disposition of assets. The District has contracted with a firm to record and control purchased assets for accrual accounting purposes.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number	2009-013
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Other Matters

13. *Extension was not Obtained for Filing A-133 Report* – Per OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations Section .320(a), the A-133 report is required to be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The District did not obtain an extension to submit the A-133 after the required date.

School District Response: We concur, and have a process in place for future years if an extension is deemed necessary.

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008**

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

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid: Explain
Internal Control Over Financial Reporting			
2008-001	Lack of Independent Oversight Over Disbursement Activity	No	Not corrected. Refer to Finding 2009-001
2008-002	Lack of Proper Reconciliation of Cash to the Bank Statements	No	Not corrected. Refer to Finding 2009-002
2008-003	Record Certain Journal Entries Prior to Year End	No	Not corrected. Refer to Finding 2009-003
2008-004	Lack of Oversight of Information Technology Controls	No	Not corrected. Refer to Finding 2009-004
Compliance and Other Matters			
2008-005	Tax Levy was Not Certified Timely	No	Not corrected. Refer to Finding 2009-006
2008-006	Certification Available Revenue Not Obtained	Yes	
2008-007	Appropriation Not Effected Due to no Certificate of County Auditor that the Total Appropriations From Each Fund do not Exceed the Official Certificate of Estimated Resources	Yes	
2008-008	General Fund Expenditures Exceeded Appropriations	Yes	
2008-009	Inadequate Independent Oversight of Disbursement Activity	No	Not corrected. Refer to Finding 2009-007
2008-010	Negative Fund Balances	No	Not corrected. Refer to Finding 2009-008
2008-011	Improper Accounting for Poverty Based Assistance	Yes	
Federal Award Findings – Other Matters			
2008-012	Extension was Not Obtained for Filing A-133 Report	No	Not corrected. Refer to Finding 2009-013

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Education
Three Rivers Local School District
Hamilton County, Ohio

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Three Rivers Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 14, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313-666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States; and
- (10) A requirement that the District administration semi-annually provide the president of the District Board a written summary of all reported incidents and post the summary on its website, if the District has a website, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

VonLehman & Company Inc.



Mary Taylor, CPA
Auditor of State

THREE RIVERS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2010**