

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Trustees
North College Hill City School District
1731 Goodman Avenue
Cincinnati, Ohio 45239

We have reviewed the *Independent Auditor's Report* of the North College Hill City School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 North College Hill City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 14, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North College Hill City School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the North College Hill City School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 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 District, as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
May 27, 2011

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The management's discussion and analysis of the North College Hill City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$671,979 which represents a 2.30% decrease from 2009.
- General revenues accounted for \$12,620,458 in revenue or 79.79% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,196,567 or 20.21% of total revenues of \$15,817,025.
- The District had \$16,448,994 in expenses related to governmental activities; \$3,196,567 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,620,458 were adequate to provide for the remainder of these programs.
- The District's major governmental funds are the general fund and Ohio School Facilities (OSFC) fund. The general fund had \$12,052,519 in revenues and \$12,148,485 in expenditures. During fiscal year 2010, the general fund's fund balance decreased to \$215,319 from \$341,285 (\$125,966).
- The District's OSFC fund had \$8,432,804 in revenues and \$23,586,733 in expenditures. During fiscal year 2010, the OSFC fund's fund balance decreased \$15,153,929 from \$22,579,593 to \$7,425,664.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. 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 an increasingly detailed look at specific 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 funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues, and expenses* using the *accrual basis of accounting* similar to the accounting

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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used by most private-sector companies. This basis of accounting will take 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* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. 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 funds. The District's major governmental funds are the general fund, permanent improvement fund, and OSFC fund.

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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

| | Net Assets | Net Assets |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2010</u> | <u>2009</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 20,866,836 | \$ 43,282,794 |
| Capital assets, net | <u>32,148,607</u> | <u>8,747,624</u> |
| Total assets | <u>53,015,443</u> | <u>52,030,418</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 9,737,241 | 8,220,860 |
| Long-term liabilities | <u>14,698,188</u> | <u>14,557,575</u> |
| Total liabilities | <u>24,435,429</u> | <u>22,778,435</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 17,794,607 | 7,271,176 |
| Restricted | 13,034,894 | 22,699,141 |
| Unrestricted | <u>(2,249,487)</u> | <u>(718,334)</u> |
| Total net assets | <u>\$ 28,580,014</u> | <u>\$ 29,251,983</u> |

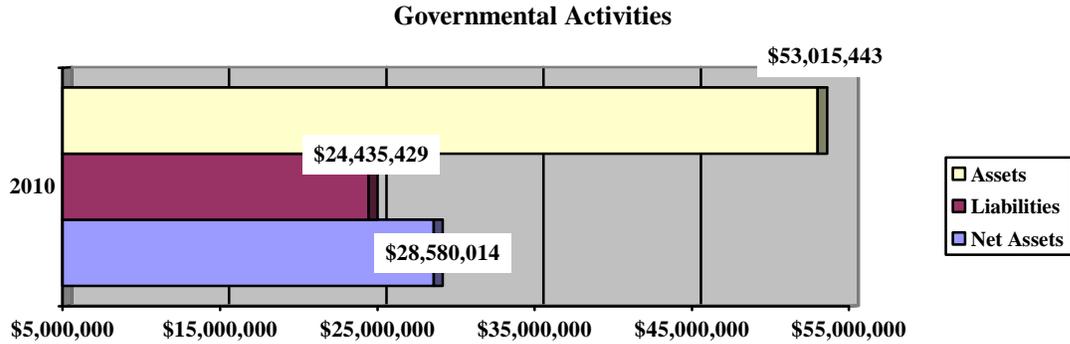
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$28,580,014. Of this total \$0 is unrestricted in use.

At year-end, capital assets represented 60.64% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$17,794,607. 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. The district is currently in a district wide building program. The debt is being used to finance the new construction.

A portion of the District's net assets, \$13,034,894 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of (\$813,671) is negative and therefore \$0 remains to be used to meet the District's ongoing obligations to the students and creditors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

| | Governmental Activities <u>2010</u> | Governmental Activities <u>2009</u> |
|------------------------------------|---|---|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 305,277 | \$ 361,206 |
| Operating grants and contributions | 2,815,777 | 2,622,657 |
| Capital grants and contributions | 75,513 | 24,983 |
| General revenues: | | |
| Property taxes | 4,992,572 | 4,705,938 |
| Grants and entitlements | 7,479,174 | 6,851,292 |
| Investment earnings | 59,484 | 397,997 |
| Other | 89,228 | 79,483 |
| Total revenues | <u>15,817,025</u> | <u>15,043,556</u> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Assets

| | Governmental Activities <u>2010</u> | Governmental Activities <u>2009</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 5,569,815 | \$ 6,079,223 |
| Special | 2,576,584 | 2,422,452 |
| Vocational | 50,031 | 44,626 |
| Adult/Continuing | - | 10,904 |
| Student Intervention Services | 6,392 | 764,281 |
| Other | 35,302 | 34,884 |
| Support services: | | |
| Pupil | 1,153,160 | 1,043,785 |
| Instructional staff | 1,564,501 | 1,468,241 |
| Board of education | 53,558 | 45,948 |
| Administration | 921,736 | 1,024,456 |
| Fiscal | 375,609 | 308,031 |
| Business | 11,545 | 5,645 |
| Operations and maintenance | 2,121,119 | 1,717,056 |
| Pupil transportation | 278,438 | 253,921 |
| Central | 53,159 | 79,830 |
| Operations of non-instructional services | 920,646 | 852,722 |
| Extracurricular activities | 359,512 | 353,669 |
| Interest and fiscal charges | <u>437,887</u> | <u>484,797</u> |
| Total expenses | <u>16,488,994</u> | <u>16,994,471</u> |
| Change in net assets | (671,969) | (1,950,915) |
| Net assets at beginning of year | <u>29,251,983</u> | <u>31,202,898</u> |
| Net assets at end of year | <u>\$ 28,580,014</u> | <u>\$ 29,251,983</u> |

Governmental Activities

Net assets of the District's governmental activities decreased \$671,969. Total governmental expenses of \$16,488,994 were offset by program revenues of \$3,196,567 and general revenues of \$12,620,458. Program revenues supported 19.39% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.61% of total governmental revenue.

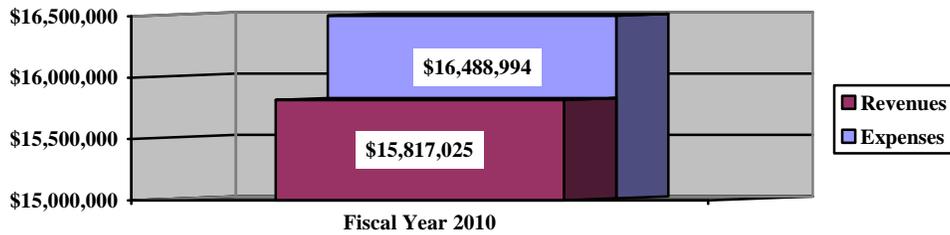
**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,238,124 or 49.96% of total governmental activities expenses for fiscal 2010

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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| | Governmental Activities | | | |
|--|--|--|--|--|
| | Total Cost of Services <u>2010</u> | Net Cost of Services <u>2010</u> | Total Cost of Services <u>2009</u> | Net Cost of Services <u>2009</u> |
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 5,569,815 | \$ 5,322,481 | \$ 6,079,223 | \$ 5,722,775 |
| Special | 2,576,584 | 1,649,483 | 2,422,452 | 2,022,087 |
| Vocational | 50,031 | 50,031 | 44,626 | 43,983 |
| Adult/Continuing | - | - | 10,904 | - |
| Student intervention services | 6,392 | 6,392 | 764,281 | 41,453 |
| Other | 35,302 | 35,302 | 34,884 | 34,884 |
| Support services: | | | | |
| Pupil | 1,153,160 | 979,397 | 1,043,785 | 796,580 |
| Instructional staff | 1,564,501 | 958,278 | 1,468,241 | 1,304,738 |
| Board of education | 53,558 | 53,558 | 45,948 | 45,948 |
| Administration | 921,736 | 720,220 | 1,024,456 | 1,024,456 |
| Fiscal | 375,609 | 136,187 | 308,031 | 268,917 |
| Business | 11,545 | 11,545 | 5,645 | 5,645 |
| Operations and maintenance | 2,121,119 | 2,082,960 | 1,717,056 | 1,635,578 |
| Pupil transportation | 278,438 | 278,438 | 253,921 | 253,695 |
| Central | 53,159 | 39,014 | 79,830 | 62,830 |
| Operations of non-instructional services | 920,646 | 257,258 | 852,722 | (35,449) |
| Extracurricular activities | 359,512 | 273,996 | 353,669 | 272,708 |
| Interest and fiscal charges | 437,887 | 437,887 | 484,797 | 484,797 |
| Total expenses | <u>\$ 16,488,994</u> | <u>\$ 13,292,427</u> | <u>\$ 16,994,471</u> | <u>\$ 13,985,625</u> |

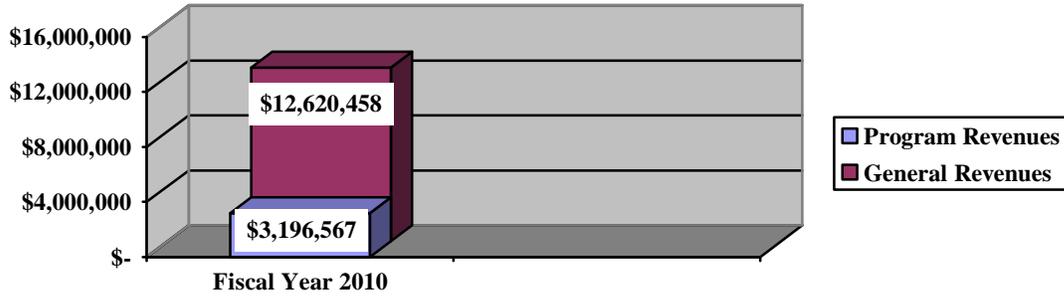
The dependence upon tax and other general revenues for governmental activities is apparent, 85.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 49.96%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010.

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HAMILTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$11,646,743, which is lower than last year's total of \$25,805,415. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

| | <u>Fund Balance</u> <u>June 30, 2010</u> | <u>Fund Balance</u> <u>June 30, 2009</u> | <u>Increase</u> | <u>Percentage</u> <u>Change</u> |
|--------------------|---|---|------------------------|------------------------------------|
| General | \$ 215,319 | \$ 341,285 | \$ (125,966) | (36.91) % |
| OSFC | 7,425,664 | 22,579,593 | (15,153,929) | (67.11) % |
| Other Governmental | <u>2,529,048</u> | <u>2,884,537</u> | <u>(355,489)</u> | (12.32) % |
| Total | <u>\$ 10,170,031</u> | <u>\$ 25,805,415</u> | <u>\$ (15,635,384)</u> | (60.59) % |

General Fund

The District's general fund balance decreased \$125,966. The decrease in fund balance can be attributed to several items related to increasing expenditures. Expenditures exceeded revenues for fiscal year 2010 by \$95,966. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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| | <u>2010</u> <u>Amount</u> | <u>2009</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 3,905,975 | \$ 3,809,616 | \$ 96,359 | 2.53 % |
| Tuition | 97,483 | 93,400 | 4,083 | 4.37 % |
| Earnings on investments | (23,651) | (44,402) | 20,751 | (46.73) % |
| Intergovernmental | 7,975,426 | 6,939,524 | 1,035,902 | 14.93 % |
| Other revenues | <u>97,286</u> | <u>114,436</u> | <u>(17,150)</u> | (14.99) % |
| Total | <u>\$ 12,052,519</u> | <u>\$ 10,912,574</u> | <u>\$ 1,139,945</u> | 10.45 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 7,514,929 | \$ 7,502,401 | \$ 12,528 | 0.17 % |
| Support services | 4,383,259 | 4,748,448 | (365,189) | (7.69) % |
| Non-instructional services | 1,302 | 1,570 | (268) | (17.07) % |
| Extracurricular activities | <u>248,995</u> | <u>247,605</u> | <u>1,390</u> | 0.56 % |
| Total | <u>\$ 12,148,485</u> | <u>\$ 12,500,024</u> | <u>\$ (351,539)</u> | (2.81) % |

Tax revenue increased as a result of more taxes being available for advance at year-end than in the prior year. Tuition revenue increased due to more tuition students being court placed in the District. Investment earnings decreased due to lower interest rates on applicable investments than in the previous year. Extracurricular expenditures increased due to a increase in extracurricular operations provided by the District in the current year. Support services decreased due to a reduction in the number of students outsourced for instructional services.

OSFC Fund

The District's OSFC fund had \$8,432,804 in revenues and \$23,586,733 in expenditures. During fiscal year 2010, the OSFC fund's fund balance decreased \$15,153,929 from \$22,579,593 to \$7,425,664.

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 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$12,721,686 and final budgeted revenues and other financing sources were \$12,052,858. Actual revenues and other financing sources for fiscal 2010 were \$12,014,804. This represents a \$38,054 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$3,145,881 were increased to \$12,573,694 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$12,571,727, which was \$1,967 less than the final budget appropriations.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$32,148,607 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|---------------------------|-----------------------------|----------------------------|
| | 2010 | 2009 |
| Land | \$ 84,688 | \$ 84,688 |
| Land improvements | 452,590 | 567,054 |
| Building and improvements | 1,602,522 | 1,617,499 |
| Furniture and equipment | 568,723 | 277,000 |
| Vehicles | 17,147 | 26,258 |
| Construction in progress | 29,422,937 | 6,175,125 |
| Total | <u>\$ 32,148,607</u> | <u>\$ 8,747,624</u> |

The overall increase in capital assets of \$23,400,983 is due to construction in progress of \$23,247,812 and acquisition of capital assets of \$432,075 exceeding depreciation expense of \$278,904 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. We are continually evaluating staffing to reduce costs wherever possible, and we will continue to do so.

Another challenge facing the District is the current CFAP project being constructed through the Ohio School Facilities Commission (OSFC).

The last challenge facing the District is the future of state funding. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The State enacted a new funding model during the summer of 2009. However, given the current economy the state was unable to fully fund the model.

The District has anticipated no increase in State funding based on guidance from the Auditor of States office. The District loses some students to charter schools. When these students leave, the State funding is also decreased significantly. The District's main challenge is how to keep these students enrolled in our schools. With decreases in State funding, the District has to look for ways to either decrease costs or increase revenues on an ongoing basis.

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It is difficult to project the operating costs of the new buildings. Currently the District operates three elementary buildings, one middle/high school, a Central Office, and an annex. We will have one PK-4 building and a combined 5-8 and 9-12 building functioning as two buildings with shared spaces.

The District is continually monitoring expenditures to be able to take a proactive stance. All of the District's financial abilities will be needed to meet the upcoming financial challenges.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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 Ms. Sandy Chance, Treasurer, of North College Hill City School District, 1731 Goodman Avenue, Cincinnati, Ohio 45239.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

| | <u>Governmental Activities</u> |
|---|---|
| Assets: | |
| Equity in pooled cash and investments . . . | \$ 14,554,711 |
| Receivables: | |
| Taxes | 5,423,819 |
| Accounts | 17,897 |
| Intergovernmental | 563,170 |
| Accrued interest | 16,525 |
| Interfund | 106,367 |
| Materials and supplies inventory | 9,635 |
| Deferred Charges | 174,712 |
| Capital assets: | |
| Land and construction in progress | 29,507,625 |
| Depreciable capital assets, net | <u>2,640,982</u> |
| Total capital assets, net. | <u>32,148,607</u> |
| Total assets. | <u>53,015,443</u> |
| Liabilities: | |
| Accounts payable. | 20,543 |
| Accrued interest payable. | 53,489 |
| Interfund payable | 106,367 |
| Accrued wages and benefits | 1,382,784 |
| Intergovernmental payable | 230,738 |
| Deferred revenue | 3,238,136 |
| Notes payable. | 1,325,000 |
| Contracts payable. | 3,380,184 |
| Long-term liabilities: | |
| Due within one year. | 267,408 |
| Due within more than one year | <u>14,430,780</u> |
| Total liabilities | <u>24,435,429</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 17,794,607 |
| Restricted for: | |
| Capital projects | 11,825,374 |
| Debt service. | 484,126 |
| Other purposes | 725,394 |
| Unrestricted. | <u>(2,249,487)</u> |
| Total net assets | <u><u>\$ 28,580,014</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|--------------------------------------|--|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 5,569,815 | \$ 134,898 | \$ 36,923 | \$ 75,513 | \$ (5,322,481) |
| Special | 2,576,584 | - | 927,101 | - | (1,649,483) |
| Vocational | 50,031 | - | - | - | (50,031) |
| Adult/Continuing | - | - | - | - | - |
| Student intervention services | 6,392 | - | - | - | (6,392) |
| Other | 35,302 | - | - | - | (35,302) |
| Support services: | | | | | |
| Pupil | 1,153,160 | 11,572 | 162,191 | - | (979,397) |
| Instructional staff | 1,564,501 | - | 606,223 | - | (958,278) |
| Board of education | 53,558 | - | - | - | (53,558) |
| Administration | 921,736 | - | 201,516 | - | (720,220) |
| Fiscal | 375,609 | - | 239,422 | - | (136,187) |
| Business | 11,545 | - | - | - | (11,545) |
| Operations and maintenance | 2,121,119 | - | 38,159 | - | (2,082,960) |
| Pupil transportation | 278,438 | - | - | - | (278,438) |
| Central | 53,159 | - | 14,145 | - | (39,014) |
| Operation of non-instructional services | 920,646 | 112,257 | 551,131 | - | (257,258) |
| Extracurricular activities | 359,512 | 46,550 | 38,966 | - | (273,996) |
| Interest and fiscal charges | 437,887 | - | - | - | (437,887) |
| Total governmental activities | \$ 16,488,994 | \$ 305,277 | \$ 2,815,777 | \$ 75,513 | \$ (13,292,427) |

General Revenues:

Property Taxes Levied for:

| | |
|-------------------------------------|-----------|
| General purposes | 3,952,307 |
| Debt service purposes | 643,814 |
| Capital projects purposes | 396,451 |

| | |
|--|-----------|
| Grants and entitlements not restricted to specific programs | 7,479,174 |
| Gifts and donations | |
| Investment earnings | 59,484 |
| Miscellaneous | 89,228 |

Total general revenues 12,620,458

Change in net assets (671,969)

Net assets at beginning of year 29,251,983

Net assets at end of year \$ 28,580,014

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | <u>General</u> | <u>OSFC Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and investments | \$ - | \$ 12,117,326 | \$ 2,362,901 | \$ 14,480,227 |
| Receivables: | | | | |
| Taxes. | 4,303,634 | - | 1,120,185 | 5,423,819 |
| Accounts | 15,717 | - | 2,180 | 17,897 |
| Intergovernmental | 2,176 | 307,946 | 253,048 | 563,170 |
| Accrued interest | 5,426 | 11,099 | - | 16,525 |
| Interfund receivable | 106,367 | - | - | 106,367 |
| Materials and supplies inventory | 1,250 | - | 8,385 | 9,635 |
| Restricted assets: | | | | |
| Equity in pooled cash and investments | 74,486 | - | - | 74,486 |
| Total assets | \$ 4,509,056 | \$ 12,436,371 | \$ 3,746,699 | \$ 20,692,126 |
| Liabilities: | | | | |
| Accounts payable | \$ 8,092 | \$ - | \$ 12,453 | \$ 20,545 |
| Contracts payable | - | 3,358,264 | 21,920 | 3,380,184 |
| Accrued wages and benefits | 1,258,306 | - | 124,478 | 1,382,784 |
| Accrued interest payable | - | 13,034 | - | 13,034 |
| Intergovernmental payable. | 153,279 | - | 77,459 | 230,738 |
| Interfund payable. | - | - | 106,367 | 106,367 |
| Notes payable | - | 1,325,000 | - | 1,325,000 |
| Deferred revenue. | 2,874,060 | 314,409 | 874,974 | 4,063,443 |
| Total liabilities | \$ 4,293,737 | \$ 5,010,707 | \$ 1,217,651 | \$ 10,522,095 |
| Fund Balances: | | | | |
| Reserved for encumbrances | 114,019 | 7,231,011 | 535,542 | 7,880,572 |
| Reserved for materials and supplies inventory. | 1,250 | - | 8,385 | 9,635 |
| Reserved for property tax unavailable for appropriation | 1,435,000 | - | 382,215 | 1,817,215 |
| Reserved for instructional materials. | 456,755 | - | - | 456,755 |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| General fund | (1,791,705) | - | - | (1,791,705) |
| Special revenue funds. | - | - | 152,926 | 152,926 |
| Debt service fund | - | - | 253,801 | 253,801 |
| Capital projects funds. | - | 194,653 | 1,196,179 | 1,390,832 |
| Total fund balances | \$ 215,319 | \$ 7,425,664 | \$ 2,529,048 | \$ 10,170,031 |
| Total liabilities and fund balances | \$ 4,509,056 | \$ 12,436,371 | \$ 3,746,699 | \$ 20,692,126 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH COLLEGE HILL CITY SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$ 10,170,031

**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. These assets consist of:

| | | |
|--|------------|------------|
| Land | 84,688 | |
| Construction in progress | 29,422,937 | |
| Capital assets net of accumulated depreciation | 2,640,982 | |
| Total capital assets | | 32,148,607 |

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

| | | |
|-------------------|---------|---------|
| Taxes | 684,684 | |
| Intergovernmental | 140,623 | |
| | | 825,307 |

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 174,712

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, and interest expenditure is reported when due. (40,455)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

| | | |
|---|--------------|--------------|
| Bonds and loans payable | (13,029,000) | |
| Accretion on capital appreciation bonds | (40,364) | |
| Premium on debt issue | (222,026) | |
| Compensated absences | (1,406,798) | |
| Total liabilities | | (14,698,188) |

Net Assets of Governmental Activities \$28,580,014

See accompanying notes to the basic financial statements

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>General</u> | <u>OSFC Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|-----------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 3,905,975 | \$ 62,022 | \$ 956,786 | \$ 4,924,783 |
| Tuition. | 97,483 | - | 37,415 | 134,898 |
| Earnings on investments. | (23,651) | 54,790 | 28,345 | 59,484 |
| Charges for services. | - | - | 112,377 | 112,377 |
| Extracurricular. | - | - | 58,002 | 58,002 |
| Other local revenues. | 97,286 | 450 | 1,122 | 98,858 |
| Intergovernmental | <u>7,975,426</u> | <u>8,315,542</u> | <u>2,761,689</u> | <u>19,052,657</u> |
| Total revenue | <u>12,052,519</u> | <u>8,432,804</u> | <u>3,955,736</u> | <u>24,441,059</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,617,431 | - | 154,514 | 5,771,945 |
| Special. | 1,796,860 | - | 705,288 | 2,502,148 |
| Vocational. | 48,601 | - | - | 48,601 |
| Adult/Continuing. | - | - | - | - |
| Student intervention services. | 16,735 | - | - | 16,735 |
| Other. | 35,302 | - | - | 35,302 |
| Support services: | | | | |
| Pupil. | 931,834 | - | 207,207 | 1,139,041 |
| Instructional staff | 1,089,661 | - | 655,044 | 1,744,705 |
| Board of education | 53,558 | - | - | 53,558 |
| Administration. | 788,255 | - | 235,706 | 1,023,961 |
| Fiscal | 244,216 | - | 122,239 | 366,455 |
| Business | 11,545 | - | - | 11,545 |
| Operations and maintenance. | 1,009,605 | 470,502 | 642,165 | 2,122,272 |
| Pupil transportation | 249,422 | - | 17,196 | 266,618 |
| Central. | 5,163 | - | 47,775 | 52,938 |
| Operation of non-instructional services. | 1,302 | - | 918,730 | 920,032 |
| Extracurricular activities. | 248,995 | - | 109,354 | 358,349 |
| Capital Outlay | - | 23,066,175 | - | 23,066,175 |
| Debt service: | | | | |
| Principal retirement | - | - | 162,000 | 162,000 |
| Interest and fiscal charges | - | 50,056 | 364,007 | 414,063 |
| Total expenditures | <u>12,148,485</u> | <u>23,586,733</u> | <u>4,341,225</u> | <u>40,076,443</u> |
| Excess of revenues under expenditures | <u>(95,966)</u> | <u>(15,153,929)</u> | <u>(385,489)</u> | <u>(15,635,384)</u> |
| Other financing sources (uses): | | | | |
| Transfers in. | - | - | 30,000 | 30,000 |
| Transfers (out) | <u>(30,000)</u> | <u>-</u> | <u>-</u> | <u>(30,000)</u> |
| Total other financing sources (uses) | <u>(30,000)</u> | <u>-</u> | <u>30,000</u> | <u>-</u> |
| Net change in fund balances | (125,966) | (15,153,929) | (355,489) | (15,635,384) |
| Fund balances at beginning of year | | | | |
| | 341,285 | 22,579,593 | 2,884,537 | 25,805,415 |
| Fund balances at end of year. | <u>\$ 215,319</u> | <u>\$ 7,425,664</u> | <u>\$ 2,529,048</u> | <u>\$ 10,170,031</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH COLLEGE HILL CITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (15,635,384)

**Amounts reported for governmental activities in the
 Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|---|------------------|------------|
| Capital assets additions | 23,679,887 | |
| Depreciation expense | <u>(278,904)</u> | |
| Excess of capital outlay under depreciation expense | | 23,400,983 |

Because some revenues will not be collected for several months after the School District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by this amount this fiscal year.

| | | |
|-------------------|--------------------|-------------|
| Property Taxes | 67,789 | |
| Intergovernmental | <u>(8,691,823)</u> | |
| | | (8,624,034) |

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:

| | | |
|---|-----------------|----------|
| Accrued interest on bonds and notes | (5,223) | |
| Amortization of bond issuance costs | (6,989) | |
| Amortization of bond premium | 8,881 | |
| Accretion on capital appreciation bonds | <u>(20,493)</u> | |
| | | (23,824) |

Repayment of long-term debt and payments to the refunded bond escrow agent are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

| | | |
|---------------------------------------|----------------|---------|
| Certificates of participation payment | 62,000 | |
| Bond principal retirement | <u>100,000</u> | |
| Total long-term debt repayment | | 162,000 |

Some items 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. These activities consist of:

| | | |
|----------------------------------|--|---------------|
| Decrease in compensated absences | | <u>48,290</u> |
|----------------------------------|--|---------------|

Change in Net Assets of Governmental Activities (\$671,969)

See accompanying notes to the basic financial statements

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | | Variance - Final Budget Positive (Negative) |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 3,733,158 | \$ 3,855,612 | \$ 3,855,613 | \$ 1 |
| Tuition. | 89,500 | 73,100 | 98,126 | 25,026 |
| Earnings on investments. | 50,000 | 7,000 | (5,366) | (12,366) |
| Other local revenues | 13,500 | 57,000 | 57,813 | 813 |
| Intergovernmental - State | 8,654,000 | 8,018,267 | 7,973,250 | (45,017) |
| Total revenue | <u>12,540,158</u> | <u>12,010,979</u> | <u>11,979,436</u> | <u>(31,543)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,926,087 | 5,668,063 | 5,618,762 | 49,301 |
| Special. | 288,331 | 2,007,777 | 2,017,373 | (9,596) |
| Vocational. | 13,263 | 51,091 | 49,344 | 1,747 |
| Student Intervention Services | - | 12,517 | 10,060 | 2,457 |
| Other. | - | 35,178 | 35,302 | (124) |
| Support services: | | | | |
| Pupil. | 163,696 | 949,280 | 946,570 | 2,710 |
| Instructional staff | 204,878 | 1,100,522 | 1,103,480 | (2,958) |
| Board of education | 2,216 | 55,767 | 52,945 | 2,822 |
| Administration. | 224,094 | 793,225 | 803,773 | (10,548) |
| Fiscal | 52,915 | 275,679 | 262,485 | 13,194 |
| Business | - | 11,500 | 11,545 | (45) |
| Operations and maintenance. | 170,968 | 1,066,221 | 1,028,921 | 37,300 |
| Pupil transportation | 32,736 | 258,340 | 246,488 | 11,852 |
| Central. | 397 | 5,292 | 5,163 | 129 |
| Operation of non-instructional services | - | 1,413 | 1,302 | 111 |
| Extracurricular activities. | 66,300 | 251,829 | 250,812 | 1,017 |
| Facilities acquisition and construction. | - | - | - | - |
| Total expenditures | <u>3,145,881</u> | <u>12,543,694</u> | <u>12,444,325</u> | <u>99,369</u> |
| Excess of revenues over (under) expenditures. | <u>9,394,277</u> | <u>(532,715)</u> | <u>(464,889)</u> | <u>67,826</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure. | 175,528 | 10,000 | 12,470 | 2,470 |
| Refund of prior year receipts. | - | - | - | - |
| Transfers (out) | - | (30,000) | (30,000) | - |
| Advances in | - | 19,979 | 11,014 | (8,965) |
| Advances (out) | - | - | (97,402) | (97,402) |
| Proceeds from sale of capital assets. | 6,000 | 11,900 | 11,884 | (16) |
| Total other financing sources (uses) | <u>181,528</u> | <u>11,879</u> | <u>(92,034)</u> | <u>(103,913)</u> |
| Net change in fund balance | 9,575,805 | (520,836) | (556,923) | (36,087) |
| Fund balance at beginning of year. | 455,301 | 455,301 | 455,301 | - |
| Prior year encumbrances appropriated | 45,881 | 45,881 | 45,881 | - |
| Fund balance at end of year | <u>\$ 10,076,987</u> | <u>\$ (19,654)</u> | <u>\$ (55,741)</u> | <u>\$ (36,087)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS

| | <u>Private-Purpose Trust</u> | |
|--|----------------------------------|---------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Equity in pooled cash and investments | \$ 101,064 | \$ 21,125 |
| Total assets. | <u>101,064</u> | <u>21,125</u> |
| Liabilities: | | |
| Accounts payable. | - | \$ 234 |
| Due to students | - | 20,891 |
| Total liabilities | <u>-</u> | <u>21,125</u> |
| Net Assets: | | |
| Restricted for other purposes | 2,100 | |
| Held in trust for scholarships | <u>98,964</u> | |
| Total net assets | <u>\$ 101,064</u> | <u>\$ -</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | | <u>Private-Purpose Trust</u> |
|--|---------------|----------------------------------|
| | | <u>Scholarship</u> |
| Additions: | | |
| Interest | \$ | 1,142 |
| Miscellaneous | | 1,309 |
| Gifts and contributions. | | <u>16,967</u> |
| Total additions. | | <u>19,418</u> |
| Deductions: | | |
| Scholarships awarded | | <u>1,240</u> |
| Change in net assets | | 18,178 |
| Net assets at beginning of year | | <u>82,886</u> |
| Net assets at end of year. | \$ | <u><u>101,064</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The North College Hill City School District (the "District") was chartered by the Ohio State Legislature in 1832 by state laws enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The District employs 61 non-certified and 115 certified (including administrative) full-time and part-time employees to provide services to approximately 1,553 students in grades K through 12 and various community groups, which ranks it 364 out of approximately 613 public school district in Ohio. It currently operates 3 elementary schools and 1 junior/senior high school (grades 7-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

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; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

JOINTLY GOVERNED ORGANIZATIONS

The Hamilton/Clermont Cooperative Association (HCCA):

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium. HCCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of HCCA consists of the superintendents and/or treasurers of the participating districts. HCCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from the HCCA Board of Education, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

PUBLIC ENTITY RISK POOL

Cincinnati USA Regional Chamber Workers' Compensation Group Rating Plan

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 are the District's major governmental funds:

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.

Ohio School Facilities Commission Fund - A fund used to account for all transactions related to the District's participation in the construction and renovation of facilities funded by the State and the District.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 a 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. Agency funds do not report a measurement focus as they do not report operations.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

D. 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.

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, include 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 (see Note 6).

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 fiscal 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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, 2010, but which were levied to finance fiscal year 2011 operation, 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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 governmental funds.

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E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to

June 30, 2010, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and U.S. Treasury notes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2010 amounted to (\$23,651).

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on both the fund financial statements and the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the government fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets that are specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in

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the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives |
|----------------------------|---|
| Land improvements | 5 - 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 5 - 10 years |

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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, compensated absences 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. Bonds and certificates of participation are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, instructional materials, capital maintenance, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A portion of fund balance has also been reserved for budget stabilization.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

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P. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal Allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

NOTE 3 - ACCOUNTABILITY

Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

| <u>Nonmajor Funds</u> | <u>Deficit</u> |
|----------------------------|----------------|
| EMIS | \$ 4,427 |
| Mentor | 2 |
| Poverty Based Assistance | 540 |
| Miscellaneous State Grants | 5,792 |
| Title VI-B | 84,601 |
| Fiscal Stabilization | 104,017 |
| Title I | 104,691 |
| Drug Free | 10,309 |
| Preschool | 1 |
| Title II-A | 40 |

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 – DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type’s portion of this pool is displayed in the basic financial statements as “Equity in Pooled Cash and Cash Equivalents.” Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer

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or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures," as of June 30, 2010, \$1,445,822 of the District's bank Balance of \$2,245,822 was exposed to custodial risk as discussed below while \$800,000 was covered by Federal Deposit Insurance.

Investments: As of June 30, 2010 the district had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than One Year</u> |
|---------------------------|----------------------|---------------------------|
| STAROhio | \$ 156,566 | \$ 156,566 |
| Certificates of Deposit | 552,535 | 552,535 |
| U.S. Bank Money Market | 117,252 | 117,252 |
| Federal Agency Securities | 10,496,297 | 10,496,297 |
| U. S. Treasury Notes | <u>2,099,354</u> | <u>2,099,354</u> |
| Totals | <u>\$ 13,422,004</u> | <u>\$ 13,422,004</u> |

Interest Rate Risk: Interest rate risk is the risk, that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor's has assigned StarOhio an "AAAm" rating. Moody's has assigned Federal Agency Securities and U. S. Treasury Obligations an "Aaa" rating.

Concentration of Credit Risk: The District's investment policy allows investment in federal government securities or instrumentalities. The District has invested 78% in Federal Agency Securities, 16% in U. S. Treasury Obligations, and 6% in all other investments.

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Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party or its trust department or agent, and may be held in the name of the District or not.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|--------------------------|
| General | Nonmajor governmental funds | \$ 106,367 |
| Total | | <u><u>\$ 106,367</u></u> |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the Statement of Net Assets.

As of June 30, 2010 transfers were as follows:

| Fund | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------------|-------------------------|-------------------------|
| General Fund | \$ - | \$ 30,000 |
| Other Governmental Funds: | | |
| EMIS | <u>30,000</u> | <u>-</u> |
| Total Other Governmental Funds | <u>30,000</u> | <u>-</u> |
| Totals | <u><u>\$ 30,000</u></u> | <u><u>\$ 30,000</u></u> |

Transfers are generally used to either (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Bond Retirement Debt Service Fund as debt service payments become due, or (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During fiscal year ended 2010, the District made transfers of \$30,000 from the General Fund to Other Governmental Funds for various purposes.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2010 represents collections

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of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$1,435,000 in the general fund, \$236,200 in the debt service fund, and \$146,015 in the permanent improvement fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2009 was \$1,384,638 in the general fund, \$240,604 in the debt service fund, and \$142,073 in the permanent improvement fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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The assessed values upon which the fiscal year 2010 taxes were collected are:

| | 2009 Second Half Collections | | 2010 First Half Collections | |
|---|---------------------------------|----------------------|--------------------------------|----------------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 148,454,360 | 96.32 | \$ 147,854,110 | 96.17 |
| Public utility personal | 5,242,790 | 3.40 | 5,659,130 | 3.68 |
| Tangible personal property | <u>422,600</u> | <u>0.27</u> | <u>223,570</u> | <u>0.15</u> |
| Total | <u>\$ 154,119,750</u> | <u>100.00</u> | <u>\$ 153,736,810</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation: | | | | |
| Operations | \$ 57.47 | | \$ 57.47 | |
| Permanent Improvement | 3.90 | | 3.90 | |
| Debt Service | 4.68 | | 4.63 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

| | |
|-------------------|----------------------------|
| Taxes | \$ 5,423,819 |
| Accounts | 17,897 |
| Intergovernmental | 563,170 |
| Accrued interest | <u>16,525</u> |
| | <u>\$ 6,021,411</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities

Capital assets, not being depreciated:

| | | | | |
|---|------------------|-------------------|----------|-------------------|
| Land | \$ 84,688 | \$ - | \$ - | \$ 84,688 |
| Construction in progress | <u>6,175,125</u> | <u>23,247,812</u> | <u>-</u> | <u>29,422,937</u> |
| Total capital assets, not being depreciated | <u>6,259,813</u> | <u>23,247,812</u> | <u>-</u> | <u>29,507,625</u> |

Capital assets, being depreciated:

| | | | | |
|---|------------------|----------------|----------|------------------|
| Land improvements | 1,031,949 | - | - | 1,031,949 |
| Buildings and improvements | 4,677,897 | 432,075 | - | 5,109,972 |
| Furniture and equipment | 2,605,883 | - | - | 2,605,883 |
| Vehicles | <u>110,235</u> | <u>-</u> | <u>-</u> | <u>110,235</u> |
| Total capital assets, being depreciated | <u>8,425,964</u> | <u>432,075</u> | <u>-</u> | <u>8,858,039</u> |

Less: accumulated depreciation

| | | | | |
|---|---------------------|---------------------|-------------|---------------------|
| Land improvements | (464,895) | (114,464) | - | (579,359) |
| Buildings and improvements | (3,060,398) | (85,005) | - | (3,145,403) |
| Furniture and equipment | (2,328,883) | (70,324) | - | (2,399,207) |
| Vehicles | <u>(83,977)</u> | <u>(9,111)</u> | <u>-</u> | <u>(93,088)</u> |
| Total accumulated depreciation | <u>(5,938,153)</u> | <u>(278,904)</u> | <u>-</u> | <u>(6,217,057)</u> |
| Governmental activities capital assets, net | <u>\$ 8,747,624</u> | <u>\$23,400,983</u> | <u>\$ -</u> | <u>\$32,148,607</u> |

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Depreciation expense was charged to governmental functions as follows:

| | | |
|------------------------------|--|-------------------|
| <u>Instruction:</u> | | |
| Regular | | \$ 179,139 |
| Special | | 30,770 |
| <u>Support Services:</u> | | |
| Pupil | | 3,342 |
| Instructional staff | | 2,202 |
| Administration | | 12,172 |
| Fiscal | | 1,768 |
| Operations and maintenance | | 33,885 |
| Pupil transportation | | 5,727 |
| Central support | | 1,221 |
| Non-instructional | | 3,633 |
| Community service activities | | 882 |
| Extracurricular | | <u>4,163</u> |
| Total depreciation expense | | <u>\$ 278,904</u> |

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

| | Issue Date | Interest Rate | Balance Outstanding 06/30/09 | Additions | Reductions | Balance Outstanding 06/30/10 | Amounts Due in One Year |
|---|------------|---------------|---------------------------------|-------------------|-----------------------|---------------------------------|----------------------------|
| <u>General Obligation Bonds:</u> | | | | | | | |
| School Improvement Bonds | 2008 | Varies | \$ 9,225,000 | \$ - | \$ (100,000) | \$ 9,125,000 | \$ 150,000 |
| Capital Appreciation Bonds | 2008 | Varies | 90,000 | | | 90,000 | |
| Accretion on Capital Appreciation Bonds | | | 19,871 | 20,493 | - | 40,364 | |
| Premium on Bonds Issued | | | 230,907 | - | (8,881) | 222,026 | |
| <u>Other Long-Term Obligations:</u> | | | | | | | |
| Certificate of Participation | 2008 | 3.50% | 3,876,000 | - | (62,000) | 3,814,000 | 65,000 |
| Compensated absences | | | <u>1,455,088</u> | <u>833,206</u> | <u>(881,496)</u> | <u>1,406,798</u> | <u>52,408</u> |
| Total Long-Term Obligations | | | <u>\$ 14,896,866</u> | <u>\$ 853,699</u> | <u>\$ (1,052,377)</u> | <u>\$ 14,698,188</u> | <u>\$ 267,408</u> |

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

School Improvement Bonds – In March 2008, North College Hill City School District issued general obligation bonds for construction of new school facilities. The bonds were issued for \$9,500,000 at a variable interest rate and mature December, 2035. Of these bonds, \$90,000 are classified as capital appreciation bonds. The capital appreciation bonds will mature in 2018 and 2019 at \$300,000 and \$305,000 respectively. The \$239,788 premium on the issuance of the bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remainder of 27 years. The \$188,690 in issuance costs is also netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 27 years. The bonds will be retired through the Bond Retirement Fund using tax revenues.

For fiscal year 2010, the capital appreciation bonds were accreted \$20,493.

Pursuant to changes that became effective on September 14, 2000, Section 3318.05 of the Ohio Revised Code was amended eliminating the requirement that certain school districts receiving state classroom facilities assistance repay one-half of the required twenty-three year one-half mill levy. From that date forward any school district that had previously been required to make repayment has been directed to cease making the payments to the Ohio School Facilities Commission and to instead deposit one hundred percent of the proceeds in the Classroom Facilities Maintenance Non-major Special Revenue Fund designated by the Auditor of State.

The annual requirements to retire the general obligation debt outstanding at June 30, 2010 are as follows:

| | School Improvement Bonds | | Capital Appreciation Bonds | |
|-------------------------------|--------------------------|--------------|----------------------------|------------|
| Fiscal Year Ending June 30 | Principal | Interest | Principal | Interest |
| 2011 | \$ 150,000 | \$ 360,258 | \$ - | \$ - |
| 2012 | 160,000 | 355,507 | | |
| 2013 | 185,000 | 350,001 | | |
| 2014 | 195,000 | 343,826 | | |
| 2015 | 205,000 | 337,070 | | |
| 2016-2020 | 750,000 | 2,087,744 | 90,000 | 515,000 |
| 2021-2025 | 1,805,000 | 1,358,425 | | |
| 2026-2030 | 2,270,000 | 948,357 | | |
| 2031-2035 | 2,780,000 | 431,378 | | |
| 2036 | 625,000 | 13,125 | | |
| Totals | \$ 9,125,000 | \$ 6,585,691 | \$ 90,000 | \$ 515,000 |

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2010:

Certificates of Participation

| Fiscal Year Ending June 30 | Total Payment |
|------------------------------------|---------------|
| 2011 | \$ 235,267 |
| 2012 | 236,253 |
| 2013 | 236,080 |
| 2014 | 236,750 |
| 2015 | 238,217 |
| 2016-2020 | 1,199,855 |
| 2021-2025 | 1,217,994 |
| 2026-2030 | 1,235,080 |
| 2031-2035 | 1,482,842 |
| 2036 | 303,523 |
| Total | 6,621,861 |
| Less: Amount representing interest | (2,807,861) |
| Total Principal Outstanding | \$ 3,814,000 |

The certificate of participation obligation relates to the construction of additions and improvements to the high school and middle school. The District is leasing a portion of the project from the Columbus Port Authority. The Columbus Port Authority has assigned US Bank as trustee. US Bank deposited \$3,965,000 in the District's name with the escrow agent for the construction projects in fiscal year 2008. During 2008, the District requested all of the funds previously held by the escrow agent. The District makes semi-annual payments to US Bank. The payments for this debt will be paid from the Permanent Improvement Fund using tax revenues.

Compensated absences will be paid from the fund from which the employee is paid.

B. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2010 are a voted debt margin of \$13,836,313 and an unvoted debt margin of \$153,737.

NOTE 10 – NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty (20) years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five (5) years). Any period in excess of five (5) years must be deducted from the permitted maximum maturity

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

of bonds anticipated, and portions of the principal amount of notes outstanding for more than five (5) years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five (5) year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the District, or a combination of these sources. All notes are backed by the full faith and credit of the District.

The following is a summary of the District's note obligation activity for the year ended June 30, 2010:

| Purpose/ Description | Maturity Date | Interest Rate | Balance July 1, 2009 | Additions | Deductions | Balance June 30, 2010 |
|---------------------------------------|------------------|------------------|----------------------------|---------------------|-----------------------|-----------------------------|
| <i>Notes Payable:</i> | | | | | | |
| Bond Anticipation Notes | 2010 | 4.25% | \$ 1,350,000 | | \$ (1,350,000) | \$ - |
| Bond Anticipation Notes | 2011 | 2.15% | - | 1,325,000 | | 1,325,000 |
| Governmental Activities Notes Payable | | | <u>\$ 1,350,000</u> | <u>\$ 1,325,000</u> | <u>\$ (1,350,000)</u> | <u>\$ 1,325,000</u> |

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District contracted with the Trident Insurance Company for liability, property and fleet insurance. Coverages provided by the Trident Insurance Company are as follows:

| <u>Description</u> | <u>Amount</u> |
|---|---------------|
| Building and Contents | |
| Replacement cost | \$27,990,000 |
| Deductible | 1,000 |
| Liability | |
| School Board Errors and Omissions Liability | |
| Each wrongful act limit | 1,000,000 |
| Annual aggregate limit | 3,000,000 |
| Deductible | 2,500 |
| General Liability | |
| Per occurrence combined single limit | 1,000,000 |
| Annual aggregate limit | 3,000,000 |
| Medical payments limit | 10,000 |
| Employee Benefits Liability | |
| Each wrongful act limit | 1,000,000 |
| Annual aggregate limit | 3,000,000 |
| Stop Gap | |
| Each accident | 1,000,000 |
| Disease each employee | 1,000,000 |
| Disease policy limit | 1,000,000 |

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | |
|---|-----------|
| Automotive Liability | |
| Liability | |
| Per occurrence combined single limit | 1,000,000 |
| Medical payments limit | 5,000 |
| Uninsured/underinsured motorists coverage | 1,000,000 |
| Auto Physical Damage (actual cash value) | |
| Comprehensive deductible | 500 |
| Collision deductible | 500 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Workers' Compensation

The District participates in the Cincinnati USA Regional Chamber Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Sheakley Unicom provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$558,570, \$325,304, and \$295,151, respectively; 53.20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

B. State Teachers Retirement System

Plan Description – The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,569,632, \$1,518,268, and \$1,473,444, respectively; 83.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$53,638 made by the District and \$38,313 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$93,840, \$220,682, and \$134,687, respectively; 53.20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$33,217, \$26,840, and \$21,266, respectively; 53.20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$120,741, \$116,790, and \$113,342, respectively; 83.58 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | <u>General Fund</u> |
|---|---------------------|
| GAAP Basis | \$ (125,966) |
| Net adjustment for revenue accruals | (73,083) |
| Net adjustment for expenditure accruals | (181,822) |
| Net adjustment for other sources/uses | (62,034) |
| Net adjustment for encumbrances | (114,018) |
| Budgetary Basis | \$ (556,923) |

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

| | <u>Instructional Materials</u> |
|---|------------------------------------|
| Set-aside cash balance as of June 30, 2009 | \$ 322,619 |
| Current year set-aside requirement | 242,732 |
| Current year offsets | - |
| Qualifying disbursements | <u>(108,596)</u> |
| Reserved for Set-aside as of June 30, 2010 | <u>\$ 456,755</u> |
| Restricted Cash Requirement as of June 30, 2010 | \$ 456,755 |
| Use of Restricted Cash During 2010 (See Note 18) | <u>(382,269)</u> |
| Restricted Cash as of June 30, 2010 per Balance Sheet | <u>\$ 74,486</u> |

NOTE 17 – SUBSEQUENT EVENTS

The new North College Hill Elementary was completed subsequent to year end and will be occupied at the start of school in August. The Phase I renovations to the Middle School and High School will be occupied in August as well. The high school offices will be occupying temporary space until the Administrative wing is completed in the spring of 2011.

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 18 – COMPLIANCE

Ohio Revised Code §117.38 requires Districts to file basic financial statements on or before November 30th. For the fiscal year ended June 30, 2010, the District did not comply with the November 30th financial statement filing requirement.

Ohio Revised Code § 5705.10 prohibits negative budgetary basis actual ending fund balances. At year end the District had several funds with negative Non-GAAP budgetary basis ending cash fund balances: General, Title I, Title VI-B and School Based Drug Testing Grant.

Ohio Revised Code § 5705.39 requires appropriations to be limited by estimated resources. Upon review of appropriations and estimated resources, it was noted that appropriations exceeded estimated resources at year end for the General Fund.

Ohio Revised Code § 3315.17 and various Audit Bulletins issued by the Auditor of State require Districts to establish an instructional materials reserve. The reserve must be accounted for in the District's general fund and the reserve must be represented by restricted cash at year end. The District failed to maintain the full amount of the required reserve in restricted cash as of year end (see Note 16).

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

Single Audit Report

June 30, 2010

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

| Federal Grant/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| Passed Through Ohio Department of Education: Child Nutrition Cluster: | | | | | | |
| National School Breakfast Program | 3L70 | 10.553 | \$127,165 | \$0 | \$127,165 | \$0 |
| National School Lunch Program | 3L60 | 10.555 | <u>275,235</u> | <u>42,895</u> | <u>275,235</u> | <u>42,895</u> |
| Total U.S. Department of Agriculture - Child Nutrition Cluster | | | <u>402,400</u> | <u>42,895</u> | <u>402,400</u> | <u>42,895</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Passed Through Ohio Department of Education: Special Education Cluster: | | | | | | |
| Special Education Grants to States | 3M20 | 84.027 | 330,511 | 0 | 350,642 | 0 |
| Special Education Grants to States-ARRA | 3DJ0 | 84.391 | 214,736 | 0 | 226,110 | 0 |
| Special Education Preschool Grants | 3C50 | 84.173 | 6,911 | 0 | 6,911 | 0 |
| Special Education Preschool Grants-ARRA | 3DL0 | 84.392 | <u>13,230</u> | <u>0</u> | <u>10,768</u> | <u>0</u> |
| Total Special Education Cluster | | | <u>565,388</u> | <u>0</u> | <u>594,431</u> | <u>0</u> |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 542,027 | 0 | 586,348 | 0 |
| Title I Grants to Local Educational Agencies-ARRA | 3DK0 | 84.389 | <u>176,377</u> | <u>0</u> | <u>189,751</u> | <u>0</u> |
| Total Title I Cluster | | | <u>718,404</u> | <u>0</u> | <u>776,099</u> | <u>0</u> |
| Career & Technical Education Basic Grants | N/A | 84.048 | 3,454 | 0 | 3,598 | 0 |
| Safe and Drug Free Schools and Communities | 3D10 | 84.186 | 38,436 | 0 | 41,504 | 0 |
| State Grants for Innovative Programs | 3M10 | 84.298 | 0 | 0 | 200 | 0 |
| Education Technology State Grants | 3S20 | 84.318 | 4,926 | 0 | 4,533 | 0 |
| English Language Acquisition Grants | N/A | 84.365 | 1,389 | 0 | 1,181 | 0 |
| Improving Teacher Quality | 3Y60 | 84.367 | 112,981 | 0 | 118,441 | 0 |
| State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA | GRF | 84.394 | <u>451,526</u> | <u>0</u> | <u>428,936</u> | <u>0</u> |
| Total Department of Education | | | <u>1,896,504</u> | <u>0</u> | <u>1,968,923</u> | <u>0</u> |
| Total Federal Assistance | | | <u>\$2,298,904</u> | <u>\$42,895</u> | <u>\$2,371,323</u> | <u>\$42,895</u> |

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**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**

To the Board of Education
North College Hill City School District

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the North College Hill City School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 27, 2011. 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 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated May 27, 2011.

The 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 District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, 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.

Plattenburg & Associates, Inc.
Plattenburg & Associates, Inc.
May 27, 2011

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

To the Board of Education
North College Hill City School District

Compliance

We have audited the compliance of the North College Hill City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed one 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 2010-2.

Internal Control Over Compliance

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

and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control* over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated May 27, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Auditor of State, the Board of Education, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
May 27, 2011

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Section I – Summary of Auditor’s Results

| | | | |
|--------------|---|---|---------------|
| (d)(1)(i) | <i>Type of Financial Statement Opinion</i> | Unqualified | |
| (d)(1)(ii) | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | Yes | |
| (d)(1)(ii) | <i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i> | No | |
| (d)(1)(iii) | <i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i> | No | |
| (d)(1)(iv) | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No | |
| (d)(1)(iv) | <i>Were there any other significant control deficiencies reported for major federal programs?</i> | No | |
| (d)(1)(v) | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified | |
| (d)(1)(vi) | <i>Are there any reportable findings under Section .510?</i> | No | |
| (d)(1)(vii) | <i>Major Programs (list):</i> | | |
| | Special Education Cluster: | Title I Cluster: | |
| | Grants to State | Title I | CFDA # 84.010 |
| | Grants to State - ARRA | Title I - AARA | CFDA # 84.389 |
| | Preschool Grants | State Fiscal Stabilization Fund: | |
| | Preschool Grants - ARRA | (SFSE) Ed St Grant - ARRA | CFDA # 84.394 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A/B Programs</i> | Type A: > \$300,000 Type B: all others | |
| (d)(1)(ix) | <i>Low Risk Auditee?</i> | No | |

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2010-1 Material Weakness –Controls Related to Financial Reporting

The results of our audit procedures revealed the existence of deficiencies in the design and operation of the District's controls over financial reporting related to payable detail records. The following conditions were among the issues identified:

- Omissions from the payables detail records resulted in material misstatements to contracts payable, capital outlay and capital assets.

Generally these conditions are caused by a failure to review and update controls on a regular basis, poor communication of control requirements and inadequate training of personnel. The effect of the above issues is the existence of a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Recommendation

Consider reviewing and updating the design and operation of the District's controls over financial reporting, not only related to detail accounting records, but also identify other areas that could be improved as well.

Management Response/Corrective Action Plan

The District plans additional upgrades to the design and operation of the District's controls over financial reporting.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-2 Nonmaterial Federal Awards Noncompliance –Overdue Annual Financial Report Package Filing

Section .320 of OMB Circular A-133 establishes March 31st as the due date for the single audit reporting package to be filed with the Single Audit Clearinghouse. The District filed the required reporting package subsequent to the due date.

This condition was caused by delays related to finalizing the District's annual basic financial statements. The effect of the above issue is the resulting difficulty of grantor agencies in monitoring federal grants.

Recommendation

Consider reviewing and updating the design and operation of the District's controls over financial reporting, particularly as related to timeliness.

Management Response/Corrective Action Plan

The District concurs and plans to review its response to financial reporting timeliness

**NORTH COLLEGE HILL CITY SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT AND QUESTIONED COSTS
JUNE 30, 2010**

2009-1 Finding Type – Overdue Annual Financial Report Filings

Status: Not corrected – see Finding 2010-2

2009-2 Finding Type – Material Weakness – Financial Reporting

Status: Partially corrected – see Finding 2010-1

2009-3 – Finding Type – Material Weakness – Failure to Maintain Records

Status: Corrected

2009-4 Finding Type – Federal Award Findings and Questioned Costs – Eligibility Compliance

Status: Corrected

2009-5 Finding Type – Federal Award Findings and Questioned Costs – Special Test Compliance

Status: Corrected

2009-6 Finding Type – Federal Award Findings and Questioned Costs – Special Test Compliance

Status: Corrected



Dave Yost • Auditor of State

NORTH COLLEGE HILL CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 28, 2011**