

THREE RIVERS LOCAL SCHOOL DISTRICT

June 30, 2011

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Three Rivers Local School District, Hamilton County, prepared by VonLehman and Company, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 22, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District as of June 30, 2011, which collectively comprise Three Rivers Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Three Rivers Local School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Three Rivers Local School District as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011 on our consideration of Three Rivers Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 and budgetary comparison information on Pages 1 through 9 and 44 through 46 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.

Board of Education
Three Rivers Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 to 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.

VonLehman & Company Inc.

Cincinnati, Ohio
December 13, 2011

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of Three Rivers Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities increased \$29,261,089 which represents a 238% increase from 2010.
- General revenues accounted for \$50,496,037 in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,088,689, or 6% of \$53,584,726 total revenues.
- The District had \$24,323,637 in expenses related to governmental activities; \$3,088,689 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues of \$50,496,037 were also used to provide for these programs.

Overview of the Financial Statements

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

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

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-Wide Financial Statements answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). 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 has two kinds of funds:

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

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

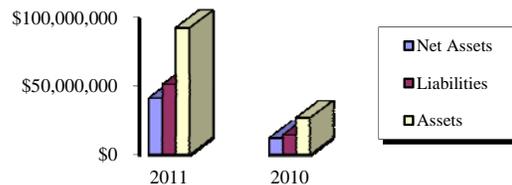
**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$84,667,941	\$24,676,839
Capital Assets	8,216,635	2,233,032
Total Assets	92,884,576	26,909,871
Liabilities:		
Other Liabilities	11,327,522	12,118,273
Long-Term Liabilities	39,990,852	2,486,485
Total Liabilities	51,318,374	14,604,758
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,544,457	2,233,032
Restricted	25,373,781	1,981,958
Unrestricted	9,647,964	8,090,123
Total Net Assets	\$41,566,202	\$12,305,113



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$41,566,202.

At year end, capital assets represented 9% of total assets. Capital assets include land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$6,544,457. These capital assets are used to provide services to the students and are not available for future spending.

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

A portion of the District's net assets, \$25,373,781, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and Other Assets increased mainly due to an increase in equity in pooled cash and investments, which was largely due to an increase in investments related to the Ohio Schools Facilities Commission (OSFC) building projects throughout the District. Capital Assets increased due to the District starting on their building projects in the fiscal year 2011. Long-Term Liabilities increased mainly due to the District issuing \$37,145,000 in long-term debt obligations to finance the building projects throughout the District.

Table 2 shows the changes in net assets for the fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services and Sales	\$994,468	\$886,650
Operating Grants and Contributions	2,094,221	3,390,882
General Revenues:		
Property Taxes	12,852,233	12,396,772
Grants and Entitlements	33,931,885	7,045,156
Other	3,711,919	3,135,753
Total Revenues	53,584,726	26,855,213
Program Expenses:		
Instruction	11,674,674	13,802,418
Support Services:		
Pupil and Instructional Staff	3,138,346	2,649,184
School Administrative, General		
Administration, Fiscal and Business	2,503,398	2,403,189
Operations and Maintenance	1,435,319	2,006,338
Pupil Transportation	1,618,052	1,277,573
Central	686,208	926,584
Operation of Non-Instructional Services	888,806	783,391
Extracurricular Activities	586,524	486,356
Interest and Fiscal Charges	1,792,310	0
Total Program Expenses	24,323,637	24,335,033
Change in Net Assets	29,261,089	2,520,180
Net Assets Beginning of Year	12,305,113	9,784,933
Net Assets End of Year	\$41,566,202	\$12,305,113

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

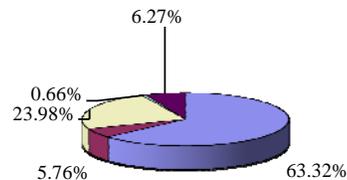
Governmental Activities

The District's revenues are mainly from two sources. Property taxes levied for general, special revenue and debt service purposes, and grants and entitlements comprised 87% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If 3 years later, the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 24% of revenue for governmental activities for the District in the fiscal year 2011.

<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
General Grants	\$33,931,885	63%
Program Revenues	3,088,689	6%
General Tax Revenues	12,852,233	24%
Investment Earnings	351,686	1%
Other Revenues	3,360,233	6%
	<u>\$53,584,726</u>	<u>100%</u>



Instruction comprises 48.00% of governmental program expenses. Support services expenses were 38.57% of governmental program expenses. All other expenses were 13.43%.

Grants and Entitlements increased mainly due to the District receiving and accruing \$26.8 million in OSFC grant monies to finance the building projects throughout the District. Instructional expenditures decreased mainly due to the District's ongoing effort to cut costs due to the economic downturn. Interest and Fiscal Charges increased mainly due to the District making timely interest payments on its debt obligations.

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$11,674,674	\$13,802,418	(\$10,045,227)	(\$11,119,289)
Support Services:				
Pupil and Instructional Staff	3,138,346	2,649,184	(2,770,159)	(2,317,873)
School Administrative, General				
Administration, Fiscal and Business	2,503,398	2,403,189	(2,492,619)	(2,403,189)
Operations and Maintenance	1,435,319	2,006,338	(1,414,989)	(1,772,966)
Pupil Transportation	1,618,052	1,277,573	(1,524,053)	(1,216,538)
Central	686,208	926,584	(672,108)	(911,637)
Operation of Non-Instructional Services	888,806	783,391	(95,233)	(4,414)
Extracurricular Activities	586,524	486,356	(428,250)	(311,595)
Total Expenses	\$24,323,637	\$24,335,033	(\$21,234,948)	(\$20,057,501)

The District's Funds

The District has three major governmental funds: the General Fund, Building Fund, and Classroom Facilities Construction Fund. Assets of these funds comprise \$79,604,842 (94%) of the total \$84,414,456 governmental funds assets.

General Fund: Fund balance at June 30, 2011 was \$10,759,949, an increase of \$1,391,694 from 2010. The primary reason for the increase in fund balance was due to a decrease in regular instruction expenditures.

Building Fund: Fund balance at June 30, 2011 was \$6,093,719. The primary reason for the increase in fund balance was due to the issuance of \$10.3 million in long-term debt proceeds.

Classroom Facilities Construction Fund: Fund balance at June 30, 2011 was \$30,136,927. The primary reason for the increase in fund balance was due to the issuance of \$26.8 million in long-term debt proceeds.

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 the fiscal year 2011, the District amended its general fund budget when needed. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with changes in revenues and expenditures.

Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

For the General Fund, the final budgeted revenue was \$20,139,428 and the original budgeted revenue was \$19,417,801. The difference was \$721,627. Of this difference, most was due to a conservative estimate of taxes revenue and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General Fund was \$7,652,510 on a budgetary basis.

Capital Assets and Debt Administration

Capital Assets

At the fiscal year end, the District had \$8,216,635 invested in land, construction in progress, buildings and improvements, transportation, and equipment and fixtures. Table 4 shows the fiscal year 2011 balances compared to the fiscal year 2010:

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$4,315,843	\$267,092
Construction in Progress	1,674,982	0
Buildings and Improvements	1,352,683	1,314,373
Transportation	348,969	7,998
Equipment and Fixtures	<u>524,158</u>	<u>643,569</u>
Total Net Capital Assets	<u>\$8,216,635</u>	<u>\$2,233,032</u>

The increase in capital assets is due to the start of the various building projects throughout the District.

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

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Debt

At June 30, 2011, the District had \$37,774,803 in bonds outstanding, \$540,000 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2011	2010
Bonds:		
2010 School Improvement Build America Bonds	\$21,890,000	\$0
Discount on Build America Bonds	(171,570)	0
2010 School Improvement Qualified School Construction Bonds	11,260,000	0
Discount on Qualified School Construction Bonds	(85,857)	0
2010 School Improvement Tax Exempt Bonds		
Current Interest	2,885,000	0
Capital Appreciation	1,110,000	0
Accretion of Interest	58,442	0
Premium on Bonds	828,788	0
Total Bonds	<u>\$37,774,803</u>	<u>\$0</u>

See Notes 11 and 12 to the basic financial statements for further details on the District's long-term obligations.

For the Future

The major challenges of the Three Rivers Local School District are legislative changes made to its tax base and declining State support.

The phase-out of Tangible Personal Property Tax (TPPT) as legislated in House Bill 66 has reduced the District's revenue by \$3.0 million dollars annually between 2007 and 2017. When passed, House Bill 66 provided reimbursement payments to District's to phase-in the loss of revenue. House Bill 153 accelerated the phase out of the TPPT reimbursement scheduled through 2017. The losses in TPPT reimbursement along with federal stabilization dollars total over \$3.2 million for the next two fiscal years. The District has made a number of financial reductions, as well as successfully negotiated concessions from its bargaining unit for the next 3 fiscal years to offset the losses. Beyond the fiscal year 2013, the loss of TPPT reimbursement payments will be equivalent to nearly 5 mills of property tax annually. The District is currently planning to address this issue.

The District passed a 4.95 mill operating levy, previously expiring on December 31, 2011, that was placed on the November 8, 2011 ballot, which will continue funding for the next 3 years. The successful renewal of this issue will help to maintain current operations through June 30, 2014.

**Three Rivers Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District is currently in the process of constructing a new PK-12 school facility, with the assistance of the Ohio School Facilities Commission (OSFC), to open in the fall of 2013. The new facility would replace the 4 current school facilities. Three of the existing school facilities will be sold or razed and the fourth will be converted into a central office facility. It is not clear the full impact financially on the operations of the District the change to one facility will bring. The District is currently working to detail that impact and incorporate it into planning for 2014 when, hopefully, the 3 year levy would expire again.

On a positive note, the District's academic standing gains are at the highest level in its long history. The District has achieved 25 out of 26 indicators on the 2010-11 Ohio Local Report Card (LRC), earning an Excellent Rating. This will mark the 2nd consecutive year the District has earned an Excellent Rating.

In conclusion, the District has continued to perform its mission at a high level despite numerous changes in school funding over the last 5 years that have compromised its ability to sustain itself financially.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Three Rivers Local School District, 92 Cleves Avenue, Cleves, Ohio 45002.

Three Rivers Local School District, Ohio
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$46,400,224
Restricted Cash and Investments	182,210
Receivables:	
Taxes	12,892,710
Interest	155,985
Intergovernmental	24,708,227
Deferred Bond Issuance Costs	328,585
Nondepreciable Capital Assets	5,990,825
Depreciable Capital Assets, Net	<u>2,225,810</u>
 Total Assets	 <u>92,884,576</u>
Liabilities:	
Accounts Payable	72,269
Accrued Wages and Benefits	1,803,525
Contracts Payable	109,292
Accrued Interest Payable	160,626
Unearned Revenue	9,181,810
Long-Term Liabilities:	
Due Within One Year	950,671
Due In More Than One Year	<u>39,040,181</u>
 Total Liabilities	 <u>51,318,374</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	6,544,457
Restricted for:	
Public School Support	173,778
Classroom Maintenance	186,158
Extracurricular Student Activities	121,709
Food Service	221,802
Uniform School Supply	162,307
Federal Grants	160,820
Debt Service	1,058,141
Capital Projects	23,035,091
Set-Aside	182,210
Other Purposes	71,765
Unrestricted	<u>9,647,964</u>
 Total Net Assets	 <u><u>\$41,566,202</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$8,389,105	\$333,760	\$341,085	(\$7,714,260)
Special	2,858,922	293	902,892	(1,955,737)
Vocational	25,315	0	23,340	(1,975)
Other	401,332	0	28,077	(373,255)
Support Services:				
Pupil	1,218,030	0	34,462	(1,183,568)
Instructional Staff	1,920,316	5,215	328,510	(1,586,591)
General Administration	51,995	0	0	(51,995)
School Administration	1,882,320	0	0	(1,882,320)
Fiscal	569,083	0	10,779	(558,304)
Operations and Maintenance	1,435,319	20,330	0	(1,414,989)
Pupil Transportation	1,618,052	39,214	54,785	(1,524,053)
Central	686,208	0	14,100	(672,108)
Operation of Non-Instructional Services	888,806	437,382	356,191	(95,233)
Extracurricular Activities	586,524	158,274	0	(428,250)
Interest and Fiscal Charges	1,792,310	0	0	(1,792,310)
Total Governmental Activities	\$24,323,637	\$994,468	\$2,094,221	(21,234,948)

General Revenues:

Property Taxes Levied for:

General Purposes	11,092,633
Special Revenue Purposes	176,787
Debt Service Purposes	1,582,813
Grants and Entitlements not Restricted to Specific Program	7,145,286
Grants and Entitlements for Capital Construction	26,786,599
Revenue in Lieu of Taxes	2,357,423
Investment Earnings	351,686
Other Revenues	1,002,810
Total General Revenues	50,496,037
Change in Net Assets	29,261,089
Net Assets Beginning of Year	12,305,113
Net Assets End of Year	\$41,566,202

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2011

	General	Building	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$7,781,671	\$6,084,743	\$30,214,943	\$2,318,867	\$46,400,224
Restricted Cash and Investments	182,210	0	0	0	182,210
Receivables:					
Taxes	11,057,051	0	0	1,835,659	12,892,710
Interest	3,624	29,589	122,772	0	155,985
Intergovernmental	2,150,000	0	21,903,139	655,088	24,708,227
Interfund	75,100	0	0	0	75,100
Total Assets	21,249,656	6,114,332	52,240,854	4,809,614	84,414,456
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	57,642	0	7,410	7,217	72,269
Accrued Wages and Benefits	1,591,077	0	0	212,448	1,803,525
Compensated Absences	153,687	0	0	0	153,687
Contracts Payable	0	0	109,292	0	109,292
Interfund Payable	0	0	0	75,100	75,100
Deferred Revenue	8,687,301	20,613	21,987,225	1,582,844	32,277,983
Total Liabilities	10,489,707	20,613	22,103,927	1,877,609	34,491,856
Fund Balances:					
Restricted	182,210	5,428,396	28,578,660	1,574,242	35,763,508
Committed	0	0	0	1,256,206	1,256,206
Assigned	252,035	665,323	1,558,267	129,369	2,604,994
Unassigned	10,325,704	0	0	(27,812)	10,297,892
Total Fund Balances	10,759,949	6,093,719	30,136,927	2,932,005	49,922,600
Total Liabilities and Fund Balances	\$21,249,656	\$6,114,332	\$52,240,854	\$4,809,614	\$84,414,456

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balance		\$49,922,600
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.		8,216,635
Other long-term assets are not available to pay for current- period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	985,900	
Interest	106,949	
Intergovernmental	<u>22,003,324</u>	
		23,096,173
In the Statement of Net Assets, interest payable is accrued when incurred, whereas in the Governmental Funds, interest is reported as a liability only when it will require the use of current financial resources.		(160,626)
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.		
Compensated Absences		(2,062,362)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		328,585
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(37,774,803)</u>
Net Assets of Governmental Activities		<u><u>\$41,566,202</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Building	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$11,109,936	\$0	\$0	\$1,633,894	\$12,743,830
Revenue in Lieu of Taxes	2,174,904	0	0	182,519	2,357,423
Tuition and Fees	213,574	0	0	160,584	374,158
Investment Earnings	53,309	48,521	145,350	1,384	248,564
Intergovernmental	7,228,666	0	4,883,460	2,056,802	14,168,928
Extracurricular Activities	0	0	0	206,345	206,345
Charges for Services	25,714	0	0	393,635	419,349
Other Revenues	51,354	0	0	946,073	997,427
Total Revenues	20,857,457	48,521	5,028,810	5,581,236	31,516,024
Expenditures:					
Current:					
Instruction:					
Regular	7,893,466	0	0	444,638	8,338,104
Special	2,113,908	0	0	740,587	2,854,495
Vocational	0	0	0	25,315	25,315
Other	395,975	0	0	4,146	400,121
Support Services:					
Pupil	1,215,623	0	0	40,363	1,255,986
Instructional Staff	1,583,393	0	0	328,626	1,912,019
General Administration	51,995	0	0	0	51,995
School Administration	1,816,290	13,019	0	0	1,829,309
Fiscal	551,309	0	0	13,992	565,301
Operations and Maintenance	1,433,034	0	0	0	1,433,034
Pupil Transportation	1,268,884	0	0	415,172	1,684,056
Central	643,587	0	3,500	22,868	669,955
Operation of Non-Instructional Services	45,024	0	0	791,205	836,229
Extracurricular Activities	370,039	0	0	166,626	536,665
Capital Outlay	17,085	4,300,224	1,674,982	233,801	6,226,092
Debt Service:					
Interest and Fiscal Charges	0	0	0	1,585,838	1,585,838
Bond Issuance Costs	337,467	0	0	0	337,467
Total Expenditures	19,737,079	4,313,243	1,678,482	4,813,177	30,541,981
Excess of Revenues Over (Under) Expenditures	1,120,378	(4,264,722)	3,350,328	768,059	974,043
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	175	0	0	250	425
Issuance of Long-Term Debt	0	10,358,401	26,786,599	0	37,145,000
Premium on Bonds and Notes Issued	40,423	0	0	817,616	858,039
(Discount) on Bonds and Notes Issued	(265,200)	0	0	0	(265,200)
Transfers In	562,244	0	0	178,692	740,936
Transfers (Out)	(66,326)	0	0	(674,610)	(740,936)
Total Other Financing Sources (Uses)	271,316	10,358,401	26,786,599	321,948	37,738,264
Net Change in Fund Balance	1,391,694	6,093,679	30,136,927	1,090,007	38,712,307
Fund Balance Beginning of Year	9,368,255	40	0	1,841,998	11,210,293
Fund Balance End of Year	\$10,759,949	\$6,093,719	\$30,136,927	\$2,932,005	\$49,922,600

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balance - Total Governmental Funds \$38,712,307

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

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

Capital Assets Used in Governmental Activities	6,344,741	
Depreciation Expense	<u>(351,171)</u>	
		5,993,570

Governmental Funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the Statement
 of Activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (9,967)

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

Delinquent Property Taxes	108,403	
Interest	103,122	
Intergovernmental	<u>21,857,177</u>	
		22,068,702

In the Statement of Activities, certain costs and proceeds associated with
 long-term debt obligations issued during the year are accrued and
 amortized over the life of the debt obligation. In Governmental Funds,
 these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	337,467	
Premium on Bonds Issued	(858,039)	
Discount on Bonds Issued	<u>265,200</u>	
		(255,372)

In the Statement of Activities, interest expense is accrued when incurred,
 whereas in Governmental Funds, an interest expenditure is reported
 when due. (160,626)

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in Governmental Funds.

Compensated Absences	103,321	
Amortization of Bond Issuance Cost	(8,882)	
Amortization of Bond Premium	29,251	
Amortization of Bond Discount	(7,773)	
Bond Accretion	<u>(58,442)</u>	
		57,475

Proceeds from debt issues are another financing source in the funds,
 but a debt issue increases long-term liabilities in the Statement
 of Net Assets. (37,145,000)

Change in Net Assets of Governmental Activities \$29,261,089

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$79,672</u>	<u>\$61,140</u>
Total Assets	<u>79,672</u>	<u>61,140</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>61,140</u>
Total Liabilities	<u>0</u>	<u>\$61,140</u>
Net Assets:		
Held in Trust	<u>79,672</u>	
Total Net Assets	<u>\$79,672</u>	

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions:	
Donations	\$18,327
Investment Earnings	116
Total Additions	<u>18,443</u>
Deductions:	
Scholarships	<u>15,568</u>
Total Deductions	<u>15,568</u>
Change in Net Assets	2,875
Net Assets Beginning of Year	<u>76,797</u>
Net Assets End of Year	<u><u>\$79,672</u></u>

See accompanying notes to the Basic Financial Statements.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 1 – Description of the District

The Three Rivers Local School District, Ohio (the "District") was originally chartered by the Ohio State Legislature. In 1853, State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in Division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code. The District operates under a locally elected five-member Board of Education (the Board) and is responsible for the education of the residents of the District. This Board controls the District's instructional and support facilities staffed by 120 non-certificated personnel and 145 certified teaching and administrative personnel to provide services to students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Measurement Focus

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Private Purpose Trust Fund is reported using the economic resources measurement focus.

Fund Accounting

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Governmental Funds

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

Building Fund – The Building Fund is used to account for receipts and expenditures related to the acquisition and construction of capital facilities, including real property.

Classroom Facilities Construction Fund – The Classroom Facilities Construction Fund is used to account for the receipts and expenditures related to construction projects.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the payment of general obligations from governmental resources when the District is obligated in some manner for the payment. The Debt Service Fund is included in the financial statements under other governmental 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 School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds: The Student Managed Activity Agency Fund is used to account for assets and liabilities generated by student managed activities. The Section 125 Agency Fund is used to account for funds that belong to others as a result of outstanding checks over one year old. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance the fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

Unearned Revenue

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

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

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

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during the fiscal year 2011 credited to the General Fund amounted to \$53,309, \$48,521 in the Building Fund, \$145,350 in the Classroom Facilities Construction Fund, and \$1,384 in Other Governmental Funds.

Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory is accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds 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.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

Interfund Activity

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

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at the fiscal year end, taking into consideration any limits specified in the District's termination policy. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for the compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – Resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact. The District had no nonspendable fund balance as of June 30, 2011.

Restricted – Resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – Resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – Resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – Residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit cash balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed, or assigned for said purposes.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Restricted Assets

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

Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the \$25,373,781 in restricted net assets, none were restricted by enabling legislation.

Estimates

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

Note 3 – Accountability

The following fund had a deficit in fund balance:

Other Governmental Funds:	<u>Amounts</u>
Title VI-B Pre-School	\$6,395

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 4 – Equity in Pooled Cash and Investments

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

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

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

Inactive Monies – Those monies not required for use within the current 2 year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any Federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than 1 year from date of deposit, or by savings or deposit accounts including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

- (7) Commercial paper and bankers' acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the 2 highest rating classifications by at least 2 nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$6,676,845 of the District's bank balance of \$7,663,557 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
US Treasury Notes	\$18,467,298	1.08
Federal Home Loan Bank	7,078,743	1.11
Fannie Mae	502,855	1.81
Fannie Mae - Discount Note	500,830	2.67
Federal Farm Credit Bank	2,033,929	1.45
Money Market Funds	<u>10,560,656</u>	0.00
Total Fair Value	<u>\$39,144,311</u>	
Portfolio Weighted Average Maturity		0.84

Interest Rate Risk – In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 5 years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in US Treasury Notes, Federal Home Loan Bank, Fannie Mae, Fannie Mae - Discount Note, and Federal Farm Credit Bank were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Money Market Funds were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in U.S. Agencies or Instrumentalities. The District has 47.2% invested in US Treasury Notes, 18.1% invested in Federal Home Loan Bank, 1.3% invested in Fannie Mae, 1.3% invested in Fannie Mae - Discount Note, 5.2% invested in Federal Farm Credit Bank, and 27.0% invested in Money Market Funds.

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 5 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every 6 years. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October, 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance the fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance \$4,522,000 in the General Fund and \$718,000 in Other Governmental Funds.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

The assessed value, by property classification, upon which taxes collected in 2011 were based as follows:

	<u>Amount</u>
Tangible and Public Utility Personal	\$63,089,380
Real Estate	<u>333,956,960</u>
Total	<u><u>\$397,046,340</u></u>

Note 6 – Receivables

Receivables at June 30, 2011 consisted of property taxes, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within 1 year, with the exception of the property taxes and the grant from the Ohio School Facilities Commission. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$267,092	\$4,048,751	\$0	\$4,315,843
Construction in Progress	0	1,674,982	0	1,674,982
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	9,309,186	203,325	0	9,512,511
Transportation	1,552,253	372,267	0	1,924,520
Equipment and Fixtures	<u>2,033,023</u>	<u>45,416</u>	<u>90,499</u>	<u>1,987,940</u>
Totals at Historical Cost	<u>13,161,554</u>	<u>6,344,741</u>	<u>90,499</u>	<u>19,415,796</u>
Less Accumulated Depreciation:				
Buildings and Improvements	7,994,813	165,015	0	8,159,828
Transportation	1,544,255	31,296	0	1,575,551
Equipment and Fixtures	<u>1,389,454</u>	<u>154,860</u>	<u>80,532</u>	<u>1,463,782</u>
Total Accumulated Depreciation	<u>10,928,522</u>	<u>351,171</u>	<u>80,532</u>	<u>11,199,161</u>
Governmental Activities Capital Assets, Net	<u>\$2,233,032</u>	<u>\$5,993,570</u>	<u>\$9,967</u>	<u>\$8,216,635</u>

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$171,340
Special	10,350
Other Instruction	1,211
Support Services:	
Pupil	1,923
Instructional Staff	2,136
School Administration	904
Fiscal	485
Operations and Maintenance	14,737
Pupil Transportation	37,096
Central	39,894
Operation of Non-Instructional Services	34,555
Extracurricular Activities	36,540
Total Depreciation Expense	<u><u>\$351,171</u></u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2011, commercial insurance carriers provided insurance coverage for property, liability, and vehicles. There has been no significant reduction in the coverage in the current fiscal year and settlements have not exceeded insurance coverage in any of the past 3 fiscal years.

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

Note 9 – Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among 4 of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$522,504, \$450,193, and \$455,100, respectively; 58% has been contributed for the fiscal year 2011 and 100% for both the fiscal years 2010 and 2009.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their 5th year of membership, unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) 5 years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's 3 highest

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years, and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the 1st anniversary of the 1st day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of 2 months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

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

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

A DB or Combined Plan member with 5 or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010 were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,383,007, \$1,367,028, and \$1,320,634, respectively; 100% has been contributed for the fiscal years 2011, 2010, and 2009.

Note 10 – Post-Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For the fiscal year 2011, the actuarially required allocation was .76%. District contributions for the years ended June 30, 2011, 2010, and 2009 were \$28,365, \$24,439, and \$24,380, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs 2 third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$53,370, \$14,792, and \$135,230, respectively; 58% has been contributed for the fiscal year 2011 and 100% for both the fiscal years 2010 and 2009.

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$98,786, \$97,645, and \$94,331, respectively; 100% has been contributed for the fiscal years 2011, 2010, and 2009.

Note 11 – Short-Term Notes Payable

Short-term notes payable activity of the District for the current year end was as follows:

	Beginning Principal Outstanding	Additions	Deletions	Ending Principal Outstanding
Bond Anticipation Notes - 2.50%	\$0	\$37,145,000	(\$37,145,000)	\$0
Total	\$0	\$37,145,000	(\$37,145,000)	\$0

On July 22, 2010, the District issued \$37,145,000 in short-term bond anticipation notes at a 2.50% interest rate which were paid off on November 1, 2010 out of the Debt Service Fund.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 12 – Long-Term Liabilities

The changes in the District's long-term obligations during the fiscal year 2011 were as follows:

	Rate	Maturity Dates	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:							
2010 School Improvement Build America Bonds	5.11-6.37%	12/01/47	\$0	\$21,890,000	\$0	\$21,890,000	\$0
Discount on Build America Bonds			0	(175,120)	3,550	(171,570)	0
2010 School Improvement Qualified School Construction Bonds	5.21%	09/15/27	0	11,260,000	0	11,260,000	0
Discount on Qualified School Construction Bonds			0	(90,080)	4,223	(85,857)	0
2010 School Improvement Tax Exempt Bonds	2.00-2.75%	12/01/32					
Current Interest			0	2,885,000	0	2,885,000	540,000
Capital Appreciation			0	1,110,000	0	1,110,000	0
Accretion of Interest			0	58,442	0	58,442	0
Premium			0	858,039	(29,251)	828,788	0
Total General Obligation Bonds			0	37,796,281	(21,478)	37,774,803	540,000
Compensated Absences			2,486,485	294,652	(565,088)	2,216,049	410,671
Total Governmental Activities			<u>\$2,486,485</u>	<u>\$38,090,933</u>	<u>(\$586,566)</u>	<u>\$39,990,852</u>	<u>\$950,671</u>

On September 30, 2010, the District issued \$21,890,000 in School Improvement Build America Bonds for a discount of \$175,120 at an interest rate between 5.11% and 6.37% throughout the life of the bonds. The bonds will mature on December 1, 2047.

On September 30, 2010, the District issued \$11,260,000 in School Improvement Qualified School Construction Bonds for a discount of \$90,020 at an interest rate of 5.21% throughout the life of the bonds. The bonds will mature on September 15, 2027.

On September 30, 2010, the District issued \$2,885,000 in Tax Exempt Current Interest Bonds and \$1,110,000 in Tax Exempt Capital Appreciation Bonds for a net premium of \$858,039 at an interest rate between 2.00% and 2.75% throughout the life of the bonds. The bonds will mature on December 1, 2032.

As a result of participating in these programs, the District will receive interest rebates resulting in a significantly lower coupon rate.

All long-term debt payments will be made out of the Debt Service Fund.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$540,000	\$1,988,578	\$2,528,578	\$0	\$0	\$0
2013	740,000	1,975,778	2,715,778	0	0	0
2014	765,000	1,960,728	2,725,728	0	0	0
2015	790,000	1,952,378	2,742,378	0	0	0
2016	860,000	1,950,578	2,810,578	0	0	0
2017-2021	4,675,000	9,700,345	14,375,345	0	0	0
2022-2026	4,950,000	9,513,743	14,463,743	0	0	0
2027-2031	2,015,000	7,190,809	9,205,809	715,000	2,390,000	3,105,000
2032-2036	3,230,000	6,143,748	9,373,748	395,000	1,675,000	2,070,000
2037-2041	6,290,000	4,538,954	10,828,954	0	0	0
2042-2046	7,655,000	2,382,125	10,037,125	0	0	0
2047-2048	3,525,000	227,074	3,752,074	0	0	0
	<u>\$36,035,000</u>	<u>\$49,524,838</u>	<u>\$85,559,838</u>	<u>\$1,110,000</u>	<u>\$4,065,000</u>	<u>\$5,175,000</u>

Note 13 – Jointly Governed Organizations

Hamilton/Clermont Cooperative Association

The Hamilton Clermont County Cooperative Association (HCCA) is a jointly governed organization consisting of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and institutional functions among districts. Each of the Districts supports HCCA and shares in a percentage of equity based on the resources provided. HCCA is governed by the Board of Directors consisting of superintendents of the member school Boards. The degree of control exercised by any participating district is limited to its representation on the Board. The operating budget of HCCA is funded by State funds and by contributions from each member district based upon a per pupil fee.

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development (Great Oaks), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of 1 representative from each participating school district's elected Board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established under the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of member districts, which includes the students of the District. The District has no ongoing financial interest in or responsibility for Great Oaks. To obtain financial information, write to Great Oaks, 3254 East Kemper Road, Cincinnati, Ohio 45241.

Note 14 – Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Litigation

The District is not party to any legal proceedings that would have a material effect, if any, on the financial condition of the District.

Duke Energy Contingency

In June, 2010, Duke Energy notified District customers in southwest Ohio that it had appealed its personal property valuation with the Ohio Department of Taxation and was going to reduce its tax payments while the appeal was in process. The impact on the District is estimated at \$720,000 in 2010 and \$322,000 in 2011 if Duke Energy wins the appeal. Duke Energy indicated that it would begin deducting half that amount from its tax payments beginning in the fiscal year 2011. The District believes that the valuation method used by the Ohio Department of Taxation is correct and will be upheld. However, the District has adjusted its forecasted tax revenues to reflect this change and has sufficient cash reserves to cover the repayment of taxes that would be necessary if Duke Energy wins the appeal.

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 15 – Required Set-Asides

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2010	(\$150,496)	\$0	\$182,210
Current Year Set Aside Requirements	276,551	276,551	0
Qualified Disbursements	(338,643)	(115,226)	0
Current Year Offsets	0	(74,000,000)	0
Set Aside Reserve Balance as of June 30, 2011	<u>(\$212,588)</u>	<u>(\$73,838,675)</u>	<u>\$182,210</u>
Restricted Cash as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$182,210</u>
Carried Forward as of June 30, 2011	<u>(\$212,588)</u>		

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

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

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 16 – Interfund Transactions

Interfund transactions at June 30, 2011, consisted of the following interfund receivables, interfund payables, transfers in, and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$75,100	\$0	\$562,244	\$66,326
Other Governmental Funds	0	75,100	178,692	674,610
Total All Funds	<u>\$75,100</u>	<u>\$75,100</u>	<u>\$740,936</u>	<u>\$740,936</u>

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

Note 17 – Construction and Commitments

Listed below are the District’s contracts that had outstanding balances at year end:

Neyer Plumbing	\$895,000
Jackson Drilling	1,472,500
AC Electrical	216,990
Tricon	1,284,000
Evans Landscaping	2,086,833
Hayward Baker	<u>467,720</u>
Total	<u>\$6,423,043</u>

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 18 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the Government Funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

			Classroom Facilities Construction	Other Governmental Funds	Total
Fund Balances	General	Building			
Restricted for:					
Instructional Materials (Textbooks) and Capital Maintenance	\$182,210	\$0	\$0	\$0	\$182,210
Spring Recognition	0	0	0	60,765	60,765
Classroom Maintenance	0	0	0	173,512	173,512
Education Jobs	0	0	0	8,347	8,347
Vocational Education	0	0	0	321	321
Title III	0	0	0	1,173	1,173
Title I	0	0	0	30,511	30,511
Classroom Size Reduction	0	0	0	9,804	9,804
Food Service Operations	0	0	0	173,102	173,102
State/Political Subdivision	0	0	0	11,000	11,000
Debt Service Payments	0	0	0	1,105,707	1,105,707
Construction of Buildings	0	5,428,396	28,578,660	0	34,007,056
Total Restricted	\$182,210	\$5,428,396	\$28,578,660	\$1,574,242	\$35,763,508
Committed to:					
Public School	0	0	0	170,340	170,340
Extracurricular Student Activities	0	0	0	117,905	117,905
Uniform School Supply	0	0	0	150,121	150,121
Capital Improvements	0	0	0	817,840	817,840
Total Committed	0	0	0	1,256,206	1,256,206
Assigned to:					
Encumbrances	252,035	665,323	1,558,267	129,369	2,604,994
Total Assigned	252,035	665,323	1,558,267	129,369	2,604,994
Unassigned (Deficit)	10,325,704	0	0	(27,812)	10,297,892
Total Fund Balance	\$10,759,949	\$6,093,719	\$30,136,927	\$2,932,005	\$49,922,600

Three Rivers Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2011

Note 19 – Change in Accounting Principles

For the fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 does not affect the calculation of the District’s fund balance but it shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Note 20 – Subsequent Events

On August 23, 2011, the District contracted for the Early Site Preparation for the construction of a new PK-12 school with the assistance of the Ohio School Facilities Commission.

In September, 2011, the District issued \$2.4M of Certificates of Participation (COPS) to finance certain energy efficiencies for the new PK-12 facility that are not co-funded by the OSFC. In particular, the District will be utilizing a Geo Thermal heating and cooling system. The utility savings on the new PK-12 facility are designed to fund the payback of the COPS. The COPS were financed over a 20 year period with anticipated savings for 40 years.

Required Supplementary Information

Three Rivers Local School District, Ohio
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,179,236	\$10,557,529	\$10,730,936	\$173,407
Revenue in Lieu of Taxes	2,063,088	2,139,759	2,174,904	35,145
Tuition and Fees	202,594	210,123	213,574	3,451
Investment Earnings	42,752	44,341	45,069	728
Intergovernmental	6,857,025	7,111,854	7,228,666	116,812
Charges for Services	24,392	25,298	25,714	416
Other Revenues	48,714	50,524	51,354	830
Total Revenues	19,417,801	20,139,428	20,470,217	330,789
Expenditures:				
Current:				
Instruction:				
Regular	6,268,878	8,780,564	8,354,582	425,982
Special	1,626,764	2,278,543	2,168,001	110,542
Other	297,121	416,165	395,975	20,190
Support Services:				
Pupil	989,735	1,386,282	1,319,028	67,254
Instructional Staff	1,216,309	1,703,634	1,620,984	82,650
General Administration	39,690	55,592	52,895	2,697
School Administration	1,427,378	1,999,271	1,902,278	96,993
Fiscal	419,652	587,789	559,273	28,516
Operations and Maintenance	1,192,947	1,670,913	1,589,850	81,063
Pupil Transportation	984,547	1,379,015	1,312,113	66,902
Central	513,556	719,317	684,420	34,897
Operation of Non-Instructional Services	33,797	47,339	45,042	2,297
Extracurricular Activities	268,904	376,643	358,370	18,273
Capital Outlay	20,323	28,466	27,085	1,381
Debt Service:				
Bond Issuance Cost	287,501	402,691	383,155	19,536
Total Expenditures	15,587,102	21,832,224	20,773,051	1,059,173
Excess of Revenues Over (Under) Expenditures	3,830,699	(1,692,796)	(302,834)	1,389,962
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	166	172	175	3
Proceeds of Short-Term Notes	533,338	553,158	562,244	9,086
Premium on Bonds Issued	164,854	170,981	173,789	2,808
(Discount) on Bonds Issued	(264,783)	(370,870)	(352,878)	17,992
Advances In	161,112	167,099	169,844	2,745
Advances (Out)	(56,351)	(78,929)	(75,100)	3,829
Transfers (Out)	(49,768)	(69,708)	(66,326)	3,382
Total Other Financing Sources (Uses)	488,568	371,903	411,748	39,845
Net Change in Fund Balance	4,319,267	(1,320,893)	108,914	1,429,807
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	7,543,596	7,543,596	7,543,596	0
Fund Balance End of Year	\$11,862,863	\$6,222,703	\$7,652,510	\$1,429,807

See accompanying notes to the required supplementary information.

Three Rivers Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

While the District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) 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 GAAP basis are as follows:

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

Three Rivers Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,391,694
Revenue Accruals	(387,240)
Expenditure Accruals	(731,641)
Issuance of Short Term Debt	562,244
Premium on Bonds Issued	133,366
(Discount) on Bonds Issued	(87,678)
Transfers In	(562,244)
Advances In	169,844
Advances (Out)	(75,100)
Encumbrances	(304,331)
Budget Basis	<u><u>\$108,914</u></u>

Other Information

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

<u>Federal Grant / Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
(Passed Through Ohio Department of Education)				
Nutrition Cluster				
School Breakfast Program	05PU-2010	10.553	\$ 72,730	\$ 72,730
National School Lunch Program	LLP4-2010	10.555	<u>237,415</u>	<u>237,415</u>
Total U.S. Department of Agriculture			<u>310,145</u>	<u>310,145</u>
<u>U.S. Department of Education</u>				
(Passed Through Ohio Department of Education)				
Special Education Cluster				
Title VI - B	6BSF-2009	84.027	437,505	415,984
Title VI - B ARRA		84.391	313,571	486,093
ESCE Preschool		84.173	13,605	17,586
ESCE Preschool ARRA		84.392	<u>1,908</u>	<u>1,522</u>
Total Special Education Cluster			<u>766,589</u>	<u>921,185</u>
Grants to Local Education Agencies				
Title I Cluster				
ESEA Title I	C1S1-2009	84.010	203,772	268,677
ESEA Title I ARRA		84.389	<u>27,083</u>	<u>33,548</u>
Total Title I Cluster			230,855	302,225
Safe and Drug Free Schools	DRS1-2009	84.186	-	369
Technology - Title II	T3S1-2009	84.318	3,049	5,399
Improving Teacher Quality		84.367	100,946	93,840
School Fiscal Stabilization Funds		84.394	285,344	285,344
Education Jobs Fund		84.410	<u>143,388</u>	<u>132,122</u>
Total Grants to Local Education Agencies			<u>763,582</u>	<u>819,299</u>
Total U.S. Department of Education			<u>1,530,171</u>	<u>1,740,484</u>
Total Federal Awards			<u>\$1,840,316</u>	<u>\$2,050,629</u>

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – MATCHING REQUIREMENTS

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

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the District did not have any food commodities.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Local School District as of and for the year ended June 30, 2011, which collectively comprise the Three Rivers Local School District's basic financial statements and have issued our report thereon dated December 13, 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 Three Rivers Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Three Rivers Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Three Rivers Local School District's internal control over financial reporting.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Rivers Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2011-001.

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

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

VonLehman & Company Inc.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Three Rivers Local School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplements* that could have a direct and material effect on each of Three Rivers Local School District's major federal programs for the year ended June 30, 2011. Three Rivers Local School District's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Three Rivers Local School District's management. Our responsibility is to express an opinion on Three Rivers Local School 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 Three Rivers Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Three Rivers Local School District's compliance with those requirements.

In our opinion, Three Rivers Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Three Rivers Local School 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 Three Rivers Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 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 Three Rivers Local School District's internal control over compliance.

Board of Education
Three Rivers Local School District
Page Two

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 the 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.

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

VonLehman & Company Inc.

Cincinnati, Ohio
December 13, 2011

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any significant control deficiency (ies) reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
FEDERAL AWARDS	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any significant internal control deficiency (ies) reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under Section 510?	No
Major Programs (list):	Special Education Cluster CFDA 84.027 - Title VI - B Grant CFDA 84.391 - Title VI - B ARRA CFDA 84.173 - ESCE Preschool CFDA 84.392 - ESCE Preschool - ARRA Title I Cluster CFDA 84.010 - ESEA Title I CFDA 84.389 - ESEA Title I ARRA Nutrition Cluster CFDA 10.553 - School Breakfast Program CFDA 10.555 - National School Lunch Program
Dollar Threshold: Type A / B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	No

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

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Compliance and Other Matters

Finding Number	2011-001
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Other Matters

1. *An Accurate Capital Asset List is Not Being Maintained* – Per Ohio Admin. Code Sections 117-202 (D) & (E), the District is to maintain capital asset records with proper identification of assets. During the fiscal year 2009, several assets were replaced, but the District did not have sufficient records to retire the assets being replaced. Therefore, the new assets were added without a proper retirement, creating a potential for overstatement for fixed assets on the full accrual financial statements. No changes were noted for the fiscal year 2010.

School District Response: The District accepts the finding. It is the plan of the District to contract for a capital asset inventory when the PK-12 school construction is complete for furniture, fixtures, and equipment for cost efficiency and accuracy. It is the position of the District that the capital inventory for land, vehicles, and construction in progress, which comprise 77% of capital asset values, is represented accurately and is adequately controlled.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**THREE RIVERS LOCAL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid: Explain
Internal Control Over Financial Reporting			
2010-001	Lack of Independent Oversight Over Disbursement Activity	Yes	
2010-002	Record Certain Journal Entries Prior to Year End	Yes	
Compliance and Other Matters			
2010-003	Inadequate Independent Oversight of Disbursement Activity	Yes	
2010-004	Unapproved Transfer	Yes	
2010-005	No Policy Over the Storage, Use, and Distribution of Personal Information	Yes	
2010-006	An Accurate Capital Asset List is Not Being Maintained	No	Not corrected. Refer to Finding 2011-001

**INDEPENDENT AUDITORS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 9, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

VonLehman & Company Inc.

Cincinnati, Ohio
December 13, 2011



Dave Yost • Auditor of State

THREE RIVERS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 3, 2012